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SUMMARY OF AUTHORIZATION IN THE BILL

The President requested budget authority for \$263.7 billion for the National Defense budget function for fiscal year 1995. Of this amount, the President requested \$252.2 billion for the Department of Defense (including \$8.4 billion for military construction and family housing) and \$10.6 billion for Department of Energy National Security Programs and the Defense Nuclear Facilities Safety Board.

The committee recommends an overall level of \$262.8 billion in budget authority. This amount is a reduction of approximately \$900 million from the amount requested for the National Defense function by the President. The Committee's recommendation is largely consistent with, though somewhat below, the amounts established in the House-passed Budget Resolution for fiscal year 1995.

HASC, p. 2-3

RATIONALE FOR THE COMMITTEE BILL

The committee again has faced the task of authorizing national defense programs in a time of transition to a post-Cold War era and in a time of uncertainty about the nature of future military threats. The committee's efforts to make wise policy choices about how best to prepare for the challenges that lie ahead have been made more difficult because of budgetary constraints.

The future holds instability in many parts of the world. The volatility that has characterized the process of change in nations that once comprised the Soviet Union continues unabated. Because of the presence of nuclear weapons in many of these countries and the prospects for proliferation, the U.S. interest in stabilization, disarmament, and the development of democratic governmental institutions is paramount. The committee continues to support initiatives designed to provide assistance to these nations in order to reduce chances for the spread of nuclear weapons and foster democratic reforms.

Similarly, the committee has closely followed developments on the Korean peninsula, in the former Yugoslavia, in Somalia, and in Haiti. These examples of potential or ongoing regional conflicts highlight the importance of developing a national military establishment that can respond effectively to disparate operational demands. The nature of the military response to disputes in these regions also underscores the need for American military forces to be prepared to participate in multilateral operations under the auspices of the international community to an unprecedented degree. Provisions in this bill, such as the establishment of a separate budget account to fund contingency operations, including peacekeeping operations, represent modest attempts to respond to this new reality.

The Bottom Up Review (BUR) has been an important but incomplete guideline for the committee in shaping the military force structure to respond to future contingencies. The accuracy of many of the predicate assumptions for the BUR has been questioned and the affordability of the force structure contemplated by the BUR is uncertain. The review also has failed to adequately take into account important factors influencing force structure decisions, such as what military contributions from allies should be counted given the constraints of politics and national interests that limit unilateral U.S. action. While the BUR represents a credible attempt to design the country's force structure, the committee is not yet satisfied that the BUR is the sine qua non for our future force structure as the Department of Defense has suggested.

Before the committee can fashion a defense force that fully meets the national security requirements of the nation, reviews of other elements of our national defense—including nuclear policy, conventional bomber requirements, defense industrial base needs, and service roles and missions—must be completed. The programs, personnel authorizations, and operational requirements funded in this year's defense bill represent a good faith effort to move toward the BUR's notion of a force structure capable of responding to two, relatively simultaneous major regional contingencies but without blindly following the precepts of that review.

Because past history shows that the readiness of our forces is a key to success on the battlefield, the committee has worked hard to authorize operations and maintenance resources sufficient to ensure a high state of readiness for our military. The goal is to avoid the "hollow force" of the mid-1970s, in which a large force

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structure was funded but operational requirements were not. The committee bill will permit the smaller force driven by a tight fiscal environment to have the equipment, supplies and support needed for a robust training and operational tempo.

Cocombitantly, the committee has endeavored to ensure that the nation's military personnel receive the support they need in order to be able to serve the country but still maintain an adequate living standard. Thus, the committee authorized funding for a full 2.6 percent pay raise and has included other provisions aimed at preserving the quality of life our service members now enjoy.

The committee also is examining the Department of Defense's commitment to equal opportunity and treatment. This examination has shown a perception among many service members that individuals who raise complaints of unfair treatment, sexual harassment or discrimination will be subjected to retaliation. In an effort to afford protection to those who disclose unequal opportunity and treatment, the committee bill includes a provision to protect these individuals from retaliatory personnel actions. The committee expects to legislate further in this area once its review is completed later this year.

The committee also continues its effort to support policies aimed at protecting against the economic dangers to our national security. Emphasis on defense conversion, including support for dual use technologies, the Technology Reinvestment Program and loan guarantees for qualifying businesses helps ensure that the economic component of national defense stays strong.

The bill's authorization of research and technology programs also contributes to a stable technology base and force modernization program, despite a declining budget. The bill authorizes important initiatives in electronics and seeks to improve the nation's space launch capability.

The committee this year has undertaken to reduce the practice of earmarking-including provisions in legislation that authorize or appropriate grant money or contracts not requested by the President for the benefit of specific, non-federal government educational institutions, laboratories, companies, and other entities. The bill includes provisions designed to restrict earmarks unless such spending is part of the President's budget request, result from a competitive selection process, or are important to national security. The committee's intent is to prevent earmarks from impeding the wise expenditure of scarce defense resources in pursuit of our overall strategic objectives.

A few words must be said about provisions that are not included in the reported bill. Because of the way the federal government operates, a number of programs are paid for and executed with resources from both the Department of Defense and the Department of State. For instance, the President's budget requested funding for, inter alia, programs to reduce the threat of weapons proliferation in the republics of the former Soviet Union and to provide humanitarian assistance and disaster relief in those countries and elsewhere.

Unfortunately, the House Committee on Foreign Affairs, with which the Committee on Armed Services shares legislative jurisdiction concerning these programs, was unwilling to work through any policy differences between the two committees and requested that H.R. 4301 be sequentially referred to that committee. Because of the tight time constraints under which the bill is proceeding through the House, such referral was not possible, and many worthwhile programs requested by the Administration had to be removed from the bill despite expressed support from them from committee Members. This committee will endeavor to add those provisions back to the bill when the measure is considered on the floor of the House.

The many geopolitical uncertainties in the world today have made the committee's on-going analysis of the critical elements of our national security strategy more difficult. For this reason, the committee again has elected to write a one-year authorization bill. The committee's bill is generally consistent with the budgetary priorities requested by the Administration for national defense for fiscal year 1995, but the bill includes changes to those priorities where the committee disagrees with the approach to an issue suggested in the Administration's request. These changes are noted in issue discussions contained in the report.

The committee looks forward to continuing to work with the President and Secretary of Defense as they move to complete their overall analysis of United States defense needs and arrive at a more comprehensive, integrated and long term view of future force structure and spending requirements.

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AIRCRAFT PROCUREMENT, AIR FORCE

OVERVIEW

The budget request contained \$6,747.6 million for Aircraft Procurement, Air Force for fiscal year 1995. The committee recommends authorization of \$6,101.8 million for fiscal year 1995.

The committee recommends approval of authorization as requested except for those programs adjusted in the following table. Some adjustments are without prejudice and based on affordability, others are discussed in more detail.

HASC, p. 51

WEAPONS/MISSILES, AIR FORCE

OVERVIEW

The budget contained \$4,392.2 million for Missile Procurement, Air Force for fiscal year 1995. The committee recommends authorization of \$3,953.2 million for fiscal year 1995.

The committee recommends approval of authorization as requested except for those programs adjusted in the following table. Some adjustments are without prejudice and based on affordability, others are discussed in more detail.

HASC, p. 55-56

OTHER PROCUREMENT, AIR FORCE

OVERVIEW

The budget contained \$7,078.3 million for Other Procurement, Air Force for fiscal year 1995. The committee recommends authorization of \$6,855.4 million for fiscal year 1995.

The committee recommends approval of authorization as requested except for those programs adjusted in the following table. The adjustments are without prejudice and based on affordability.

HASC, p. 60

PROCUREMENT DEFENSE-WIDE
OVERVIEW

The budget contained \$1,744.9 million for procurement, Defense Agencies for fiscal year 1995. The committee recommends authorization of \$2,066.7 million for fiscal year 1995.

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The committee recommends approval of authorization as requested except for those programs adjusted in the following table. Some adjustments are without prejudice and based on affordability, others are discussed in more detail.

HASC, p. 65

NATIONAL GUARD AND RESERVE EQUIPMENT
OVERVIEW

The budget did not include authorization for National Guard and Reserve Equipment for fiscal year 1995. The committee recommends authorization of \$787.2 million for fiscal year 1995.

HASC, p. 68

HASC, p. 69

TITLE II-RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
OVERVIEW

The budget request for fiscal year 1995 for research, development, test, and evaluation (RDT&E) contained \$36,225.013 million. This represents a \$1,290.462 million increase from the amount authorized for fiscal year 1994.

The committee recommends authorization of \$34,983.740 million, a reduction of \$241.273 million.

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The committee recommendations for the fiscal year 1995 RDT&E program are identified in the table below. Major issues are discussed following the table.

HASC, p. 73

DEFENSE-WIDE PROGRAMS
SPECIAL CONSIDERATIONS

Chemical and biological warfare defense program

The reports on the chemical and biological warfare defense program, required by Title XVII of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160), have not been transmitted officially to the congressional defense committees. The committee has had the opportunity, however, to review advance copies of the reports and is pleased that the Department of Defense has taken a number of management, research and development, and training initiatives which should result in significant improvements in the chemical and biological warfare defense readiness of U.S. armed forces.

The committee also notes that the Department has created a biological warfare defense program and a general officer has been assigned as program manager. This indicates the seriousness with which the Department regards the potential threat posed by such weapons of mass destruction and the need for a viable medical and non-medical biological defense program.

The committee is disappointed that the Army budget request has decreased funding for the chemical and biological warfare defense program. These decrements appear to be contrary to specific directions to complete critical research, development, test, and evaluation and acquisition of improved chemical and biological detection systems, identification and warning systems, individual and collective protection measures, medical support, and decontamination systems. The committee notes that the Air Force has terminated its program for development of collective protection systems and that reductions have been made by the other military services as well.

The committee notes that these actions will seriously undermine long-term efforts to reduce battlefield vulnerability to chemical or biological warfare attacks. The committee believes that each service must allocate an appropriate amount of its budget to fund its share of the integrated defense program, and directs that the Secretary of Defense ensure that such allocation is accomplished in annual budget guidance.

Accordingly, the committee has recommended increased authorizations in several of the relevant chemical and biological defense program elements to restore critical program reductions in the fiscal year 1995 budget request.

HASC, p. 75

Consolidation of electronic combat test and evaluation facilities

The committee recognizes the need for consolidating test and evaluation facilities, organizations, and resources in order to reduce infrastructure costs. The committee believes, however, that facilities should only be consolidated based on a master plan for future required electronic combat test capabilities.

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Therefore, the committee directs the Secretary of Defense to develop a master plan for future consolidations of DOD-wide electronic combat test and evaluation assets. This master plan shall provide a statement of required electronic combat capabilities and a road map for consolidation of these activities. The committee further directs that no fiscal year 1995 or prior year funds be used for transferring or consolidating electronic combat test and evaluation assets until 30 days after the submission of this master plan to the congressional defense committees.

HASC, p. 75-76

Electronics

The committee recognizes that both the Department's and the Advanced Research Projects Agency's (ARPA) programs in electronics technology are the "seed corn" for high technology electronic research that will fuel military and commercial product development. Without it, the vision of American companies developing electronic products for the information super highways will not be achieved.

The committee also believes that the success of the SEMATECH consortium, which has enabled the United States to recapture the lead in integrated circuit development and sales, must be sustained. The committee further believes that advanced lithography should be a top priority of SEMATECH to ensure that the lead is maintained.

The committee is alarmed by the Department's request to reduce the advanced lithography program from over \$71 million in 1992 to \$10 million in 1995. This has caused industry to decry the budget request as one which is tantamount to an abandonment of the industry and as an acceptance of total reliance for this critical technology on foreign suppliers. This will eventually jeopardize U.S. dominance of electronics system innovation.

The committee notes that the Department has increased its budget request for electronics and that it is sufficient to fund the overall electronics investment. However, the committee believes that because the Department does not have an investment strategy for advanced lithography it has resulted in an investment portfolio imbalance. Therefore, the committee recommends the following action for a strengthened and continued program:

- (1) Increase ARPA in request in PE 603739E for research in lithography from \$10 million to \$55 million;
- (2) Redirect \$20 million of the \$90 million requested for SEMATECH to advanced lithography development;
- (3) Provide \$25 million to ARPA for the procurement of lithography tools (alignment tools, steppers, etc.) to be placed at government sponsored research institutions (Federal and national laboratories, FFRDCs, universities) currently supported advanced lithography development. This will accelerate and intensify research and stimulate U.S. tool manufacturing; and
- (4) Direct the Secretary of Defense to implement section 263 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) to complete the staffing of the Semiconductor Technology Council and facilitate its operation to immediately address a strategy for lithography development and industrialization.

The committee understands that, when possible, these funds will be matched by private industrial research funding. Funding for the above research and development should be in accordance with the current lithography plan contained in the National Technology Roadmaps for Semiconductors.

The committee recommends the following reductions in programs to offset this initiative. The committee notes that several of the programs listed below have limited long-term application if a strong U.S. capability in leading edge integrated circuit development and manufacturing does not occur.

- PE 602308A-decrease \$10 million.
- PE 602572N-decrease \$10 million.
- PE 602702F-decrease \$10 million.
- PE 602301E (ST-19)-decrease \$20 million.
- PE 602217C (1601)-decrease \$20 million.

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Finally, section 216 of the bill would prohibit the obligation of any high performance computing (PE 602301E), SEMATECH (PE 603745E) or Warbreaker (PE 603226E, Project EE-40) funding until the Semiconductor Technology Council, established in the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) is functioning.

HASC, p. 76-77

Environmental research

The committee is troubled that the Department requested only \$298.8 million for environmental research and technology development, \$127 million less than was authorized last year. The Department's environmental security representative has testified that one way to save future environmental remediation and compliance costs is through technological advances. Consequently, this cut sends a mixed signal.

Therefore, the committee recommends a \$10 million increase in PE 604708D in the new Technology Certification Program. This program will take promising remediation and waste management technologies through the tests necessary to win the approval for use from the U.S. Environmental Protection Agency.

The committee commends the Department for minimizing duplication in its environmental research efforts, for better focusing its projects, particularly in its plans for the Strategic Environmental Research and Development Program. Also, the committee is pleased that the Department acted on a committee directive from last year to create a computerized cross-walk between user needs and research efforts, and that the data base has proved useful to the Department. The committee continues to be concerned, however, that too many of the Department's research projects, even those that prove successful in the laboratory, are not being used. To this effect, the committee notes the absence of environmental technology development projects in the military services' engineering and manufacturing development accounts.

Therefore, the committee directs the Secretary of Defense to report to the congressional defense committees no later than January 1, 1995, with a status report of the environmental research projects currently receiving money in the technology base and advanced development accounts. The report shall also contain an analysis of which, if any, of these projects may be ready to move into engineering and manufacturing development in fiscal year 1996. The committee expects the Department to seek funds for such projects in its 1996 budget request.

Finally, as the committee has done for the past two years, it recommends that 10 percent of the \$90 million authorized for SEMATECH be used to develop environmentally conscious manufacturing techniques for the semiconductor industry.

Exploratory research

The statement of managers accompanying the conference report on the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) (H. Rept. 103-357) directed the Secretary of Defense to complete an assessment of the Department's exploratory research and development base. The report will examine the extent to which DOD-unique exploratory research activities will be affected by the military services' plans to transfer large portions of their exploratory research from the Department to universities and private industry, with potential unintended consequences. The report was due on February 1, 1994; however, the committee has not received it. Therefore, the committee directs the Secretary to suspend all actions pertaining to the movement of exploratory research capability to the private sector until a satisfactory assessment is provided to Congress.

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MANTECH

The Department's manufacturing technology program (MANTECH) has undergone radical change in response to changing military and national needs in manufacturing. The committee recognizes the Department's new initiatives (including the Technology Reinvestment Project (TRP)) and the Department of Commerce's Advanced Technology Program (ATP). These programs represent over \$1 billion of dual-use opportunity and maintain a strong manufacturing focus.

Therefore, the committee believes that the department should reevaluate the MANTECH program to ensure that the needs of the military services are being met and that the MANTECH program is coordinated for technical exchange with the TRP and ATP programs. The committee encourages the Department to continue supporting the MANTECH centers of excellence to facilitate partnerships with industry and the TRP and ATP, as well as partnerships in other dual-use partnership arrangements with Federal entities under the provision codified in section 2173 of title 10, United States Code.

The committee also encourages the continued support of those manufacturing coalitions which leverage industrial matching and offer linkages for technology transfer to and from industry and the military. In addition, the committee directs the Department to consider the following program adjustments:

- (1) As the age of weapon systems increases, repair and rework will become an even larger segment of the equipment life-cycle costs. In recognition of the importance of reducing repair costs, the committee directs that not less than \$15 million of the funds authorized and appropriated for the MANTECH program be used for repair technology programs;
- (2) \$7.6 million of the Air Force MANTECH program be used for continuation of the computer-assisted technology transfer (CATT) program to continue the test bed and CATT special projects office;
- (3) \$15.5 million be added to PE 708011N for the Navy industrial preparedness program;
- (4) \$5 million be directed for apparel manufacturing and \$2 million for the generalized emulation of microcircuits (GEM) program at the Defense Logistics Agency; and
- (5) A general increase for authorized projects of \$20 million in PE 603705D.

Research and development categories

Section 268 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) required the Secretary of Defense to: (1) review the Department's management and assignment of program element numerical categories to its research and development programs; (2) designate an official responsible for monitoring and reviewing such program element categories; and (3) provide a report and certification to the congressional defense committees.

No report has been provided and it is not evident from reviewing the research and development descriptive summary material for fiscal year 1995 provided by the Department that an official with sufficient authority has been designated to correct the type of discrepancies described in the committee report on H.R. 2401, the National Defense Authorization Act for Fiscal Year 1994 (H. Rept. 103-200). The committee notes that while a new system of program element numerical categories has been instituted, the Department has not instituted the necessary procedures to enforce compliance with the new system.

The committee understands from informal discussion with Department personnel, that the Department hopes to have the new system fully instituted by 1995. The committee reminds the Secretary of the need to comply with last year's legislation.

HASC, p. 78-79

Tactical aircraft modernization programs

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The budget request included \$100.037 million and \$101.354 million, for the Navy and Air Force Joint Advance Strike Technology (JAST) programs, respectively. The objective of the JAST program is to develop an affordable next generation strike fighter aircraft that would optimize commonality among the military services through design modularity and common components. The fiscal year 1995 request would fund the following technology areas: air vehicle; manufacturing and producibility; propulsion; avionics; weapons integration; supportability; strategy to technology analysis; and strike weapons system concept studies.

The budget request also includes \$8.721 million for the Navy and \$20.014 million for the Advanced Research Projects Agency (ARPA) for Phase II of a four phase program for the Advanced Short Takeoff and Vertical Landing (ASTOVL)/Conventional Takeoff and Landing (CTOL) demonstrator aircraft. The program's objective is to investigate the technical feasibility of designing an affordable aircraft, using modular design and common engine, airframe, and avionics. Fiscal year 1995 funds would be used for wind tunnel and propulsion system tests of competing concepts. No funds are identified in the budget for Phases III and IV.

The committee commends the Department's efforts to achieve a common, affordable multi-service solution to satisfy future aircraft requirements. The committee, however, has the following concerns:

(1) No agreed upon multi-service requirement exists, yet the Department has requested over \$230 million for the next fiscal year for a variety of disparate tasks that include conceptual, studies and analysis, modeling and simulation (\$111.612 million), wind tunnel and propulsion system tests. The Department's goal is to enter engineering and manufacturing development at the turn of the century;

(2) JAST has similar objectives to ASTOVL/CTOL, yet each exists as separate programs;

(3) The Navy and Air Force JAST scope of work replicates a significant amount of technology development within individual service program elements. It appears that the Navy and Air Force JAST budgets, and their other related technology budgets, were developed independently. For example, the Navy and Air Force JAST request for a ground demonstrator engine is \$32.769 million. At the same time the Navy and Air Force budget request included at least \$85 million, level of effort funding, for exploratory and advanced development in turbine engine programs. This does not include the funding for ASTOVL, the majority of which is for developmental engine funding. Similar overlap and duplication exist in the scope of work described for JAST and other military service technology efforts for structures, materials and processes, subsystems and power, avionics, weapons integration, and supportability.

The committee supports the potential of the JAST office to provide the multi-service focus required to manage the acquisition of the next generation tactical aircraft. Therefore, the committee believes that ASTOVL/CTOL must be an integral part of the JAST effort, with funding provided by JAST for ASTOVL/CTOL through Phase II, and execution remaining with ARPA. The committee also believes there must be closer coordination and integration of military service technology efforts with the JAST office. This will provide the necessary focus for JAST development.

Accordingly, the committee recommends the following adjustments to the requested levels to achieve central management of JAST and ASTOVL/CTOL and to minimize redundancy and unnecessary duplication between JAST and other JAST-related technology efforts:

[In millions of dollars]

	Request	Change	Recommendations
ARPA ASTOVL/CTOL 603226E/EE24	\$20.104	(\$20.014)	0
Navy:			
ASTOVL/CTOL 603217N/R2152	8.721	(8.721)	0
Propulsion 603217N/W2014	8.354	(5,000)	\$3.354

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JAST 603800N	100.037	n/c	100.037
Air Force:			
Propulsion 603202F	25.636	(8.000)	17.636
603216F/P681B	28.991	(10.000)	18.991
JAST 603800f	101.354	n/c	101.354

Finally, the committee expects the fiscal year 1996 request to be accompanied by a complete joint requirements and cost and operational effectiveness analysis. The document should address, at a minimum, the two cockpit versus one cockpit issue, and the two engine versus single engine issue.

HASC, p. 79-81

AIR FORCE RDT&E
OVERVIEW

The budget request for fiscal year 1995 contained \$12,349.362 million for Air Force RDT&E. The committee recommends authorization of \$12,318.766 million, a decrease of \$30.596 million to the administration request.

The committee recommendations for the fiscal year 1995 Air Force RDT&E program are identified in the table below. Major changes to the Air Force request are discussed following the table.

HASC, p. 109

Space launch modernization

The committee notes the Department's continued delay in formulating a space launch modernization plan. The Department appears resigned to accepting increasingly expensive access to space to meet its launch requirements, while the U.S. commercial space launch industry continues to struggle to retain a declining share of the global launch market.

The committee believes that, with the right leadership and management approach, many of the factors contributing to high costs, unresponsiveness in meeting launch requirements, and less than desired system reliability and operability could be ameliorated. The committee believes that the Ballistic Missile Defense Organization's success with both the DC-X technology demonstrator and the Clementine satellite provides evidence of the kind of leadership and management that can again make the United States a leader in space launch vehicle development.

Several factors contribute to the current situation:

(1) No one in charge. At present, no single organization or individual has the responsibility and authority to reconcile the requirements and costs of satellite and space launch. Consequently, payload developers are frequently allowed to establish satellite requirements without sufficient regard to payload size and cost. In addition, responsibility for launch system development and operation is shared among many departments and agencies.

(2) Launch costs. Launch system users often are not required to pay all direct and indirect costs to launch their payloads. Consequently, users do not have the incentive to reduce payload size and complexity. As a result, launch costs are driven by low use-rate, extremely high cost systems such as Titan IV.

(3) The acquisition system. As with most Department programs, proposed launch system programs take a decade or more to develop, having had large program offices, and often fail to achieve inflated claims of program goals.

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As the Department marks time, the traditional expendable launch vehicle manufacturers and the space industry entrepreneurs have presented a variety of options for new, upgraded, and "leap-frog" approaches to reducing the costs and improving the reliability and responsiveness of military, civilian, and commercial access to space.

In summary, the space launch acquisition system has numerous shortcomings, but there appears to be readily available options to make significant, affordable improvements in space launch capability. Accordingly, section 211 of the bill would direct the Secretary of Defense to take several actions. First, the Secretary would be required to centralize oversight of DOD launch requirements and other users to preclude inflated requirements from escalating current and future launch costs.

Second, the Secretary would be required to begin and complete a program to replace or consolidate the current fleet of medium and heavy expendable launch vehicles with new or upgraded expendable and reusable launch vehicles. The committee believes the Secretary should begin a program that will evaluate and select for development industry proposals to either upgrade the Atlas or Delta expendable launch vehicles, or to use other innovative approaches such as the use of upgraded solid rocket motors to provide medium and heavy lift capability.

The committee recommends an additional \$100 million in PE 305119F for this purpose. The committee believes that the Department should also pursue an aggressive technology demonstration program to demonstrate the high return "leap-frog" potential of reusable launch vehicle technologies. The committee recommends an additional \$100 million in PE 603401F for this purpose and recommends the Secretary take advantage of the innovative management team and approach demonstrated in the DC-X program.

Third, the Secretary would be required to encourage and evaluate innovative acquisition, technical, and financing solutions for providing affordable, operable, reliable, and responsive access to space.

The committee notes that it has not received the Space Launch Modernization Plan required by section 213 of the National Defense Authorization Act of 1994 (Public Law 103-160) or the Administration's space launch vehicle policy directive. The committee understands that the draft Space Launch Modernization Plan fails to meet legislative requirements as it does not provide a "plan," milestones, or a "roadmap," for space launch modernization, but is simply a series of options for space launch modernization.

Finally, the committee understands that the Administration is likely to recommend that another executive agency be assigned responsibility for reusable launch vehicles. The committee recognizes the prerogative for such action. The committee, however, intends to authorize funding for a reusable launch vehicle program only if it is executed by the Department of Defense. The committee notes that jointly managed, cost-shared space launch programs have not been models of success.

HASC, p. 117-119 (AF RDT&E)

DEFENSE AGENCIES RDT&E

OVERVIEW

The budget request for fiscal year 1995 contained \$9,680.851 million for Defense Agencies RDT&E. The committee recommends authorization of \$9,325.708 million, a decrease of \$355.143 million to the administration request.

The committee recommendations for the fiscal year 1995 Defense Agencies RDT&E program are identified in the table below. Major changes to the Defense Agencies request are discussed following the table.

HASC, p. 119-120

ITEMS OF SPECIAL INTEREST

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Active structural control

Technologies which control active vibration and noise are important to both defense and commercial industrial sectors. The committee continues to support the development of these technologies and recommends an additional \$5 million in the Advanced Structural Control program in PE 603569E.

Advanced concept technology demonstrations

The committee strongly endorses the principles of the Advanced Concept Technology Demonstrations (ACTD), a major new Department of Defense initiative. The ACTD initiative can speed the transition of advanced technologies from the laboratory to the field by including the material user and the military operational user in the development and demonstration of emerging advanced technology. It can also provide improved understanding of the military utility of the technology and can validate operational concepts for the technology's use in the field, and, when appropriate, by fielding the nearly demonstrated capability in limited numbers.

Although past advanced technology demonstrations (such as the Assault Breaker program) have been successful in demonstrating the application of advanced technologies to the solution of military problems, the absence of the military users direct involvement, limited operational understanding, and the inability to leave some residual number of systems operational in the field have resulted in significant delays in the fielding of the demonstrated capability (in systems such as the Army Tactical Missile System (ATACMS) and the Joint Surveillance/Target Attack Radar System (JSTARS)). By breaking the lock step of the traditional acquisition process, the initiative should provide the opportunity to accelerate the development and fielding of new advanced technologies of proven military operational utility.

The committee notes that the majority of the funding for the ACTDs is contained in the individual program elements that support the technologies being considered for demonstration. The committee recommends a reduction of \$25 million in the integrating program element, PE 6093750D. The committee recognizes that the ACTD initiative is new, but believes it must have an understanding of program plan and supporting program elements, of funding for each of the individual ACTDs, and of the allocation of funding from the integrating program element. The committee requests that the Secretary of Defense provide to the congressional defense committees within 60 days of the passage of this Act a report which details the objectives, schedule, supporting program elements and funding for each of the individual ACTDs selected for fiscal year 1995.

HASC, p. 125

Animal research

The committee continues to be concerned about the use of animals in medical and other defense related research. Based on testimony received by the committee in 1992, which raised disturbing questions about the necessity, ethical propriety, oversight and quality of the military's experiments on animals, the committee directed the Department of Defense Inspector General to conduct a review of DOD live animal research and report on whether the animals used are treated in accordance with the Animal Welfare Act, Department of Defense regulations, and rules of basic humaneness. The committee also directed the Secretary of Defense to submit a comprehensive annual report on animal cost and use programs, including in-depth profiles of animal research conducted at each DOD facility.

The committee has received the first phase of the Inspector General's report, and the first annual report on animal cost and use programs from the Secretary of Defense. The committee notes that the Secretary's report fell short of the committee's goal, which was to provide in-depth profiles of animal research so that Congress and the large numbers of interested constituents could better assess the Department's animal research programs and activities. The report provided aggregated information under broad categories such as "non-medical RDT&E" without defining those categories.

Accordingly, the committee directs the Secretary of Defense to develop a mechanism for providing Congress and interested constituents with timely information (redacted for public release as necessary to meet classification or proprietary information concerns) about its animal use programs, projects, and activities, both

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intramural and extramural. Acceptable mechanisms include a database accessible to the public, with information about research goal and justification, cost, procedures, kinds and numbers of animals used, and pain evaluation; or a system to make research protocols readily available for public inspection. The committee further directs that, not later than 180 days after the enactment of this Act, the Secretary of Defense shall submit a report to the Committees on Armed Services of the Senate and House of Representatives on the development and implementation of that mechanism.

The committee notes that the Department of Defense Inspector General found two DOD facilities "not substantially in compliance" with DOD regulations and the Animal Welfare Act. Although the Inspector General identified the items of noncompliance as "procedural weaknesses," the committee notes that they include items critical to ensuring that animal research is appropriate (e.g., training; literature searches for alternatives) and is subject to appropriate oversight (e.g., semiannual inspections; complaint procedures). The committee directs termination of animal research at the non-compliant facilities at the U.S. Army Medical Department Center and School in San Antonio, Texas, and at the U.S. Naval Medical Research Institute Detachment in Lima, Peru until they are accredited by the Animal Association for Accreditation of Laboratory Animal Care (AAALAC).

In the committee report on H.R. 2401, the National Defense Authorization Act for Fiscal Year 1993 (H. Rept. 102-527), the committee noted that it "expects that animal advocates will be appointed as the bona fide community members to the animal care and use committees [IACUCs] at each DOD facility." The DOD Inspector General noted wide variation in the characteristics of the non-affiliated members of IACUCs at DOD facilities. For example, at 9 of the 36 facilities inspected, the non-affiliated member "has a profession that has definite ties to the research industry, such as a research physiologist with another research facility," and at 13 of the facilities, the non-affiliated member is associated with the military installation where the research facility is located.

The committee believes that these professional or installation affiliations negate the intent of the Animal Welfare Act for the non-affiliated member "to provide representation for general community interests in the proper care and treatment of animals." (See section 2143(b)(1)(B) of Title 7, United States Code). The committee again notes its expectation that animal advocates, i.e., persons who have a demonstrated commitment to animal welfare and protection, will be appointed as the bona fide community member of the IACUC at each DOD facility. The committee further expects the Secretary of Defense to report to the Committees on Armed Services of the Senate and House of Representatives on plan to improve community representation on DOD research facility IACUCs, in accordance with this paragraph, not later than 180 days after the enactment of this Act.

The first annual report on animal cost and use programs also highlights a concern previously noted by a General Accounting Office (GAO) report (GAO/NSIAD-91-68) which addressed the inadequacy of searches to avoid unintended duplication of research. The Defense Technical Information Center database is the only database search required for DOD research protocols involving animal research. However, as the GAO noted, a search of the Federal research in progress data bases is necessary to prevent duplication. The committee directs the Secretary to require a search of Federal research in progress data bases before new research is approved.

Finally, the committee notes significant constituent interest in outside oversight of DOD animal research. The committee directs the Comptroller General to review selected DOD animal research programs and activities as a follow-up to earlier studies (GAO/NSIAD-91-68; GAO/HRD-92-30); to identify areas of concern regarding military justification, duplication, and management of DOD animal research; and to make recommendations that will ensure that such research is focused on validated military need, is non-duplicative, and is effectively managed.

The committee reiterates its direction in H.R. 2401, the National Defense Authorization Act for Fiscal Year 1993 (H. Rept. 102-527), that the Secretary establish aggressive programs to replace, reduce and refine current uses of animals.

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Ballistic missile defense

OVERVIEW

The budget request contained \$3,253.8 million for the Ballistic Missile Defense Organization (BMDO). This includes \$2,979.9 million for research and development, \$273.4 million for procurement, and \$500,000 for military construction. The committee recommends authorization of \$2,741.3 million for BMDO, comprised of \$2,581.9 million for research and development, \$258.9 million for procurement, and \$500,000 for military construction.

The committee is pleased that the BMDO has made substantial efforts to redirect its programs away from past priorities to conform to the missile defense priorities established by the Bottom-Up Review. As a result, most of BMDO's programs concentrate on theater missile defenses. A limited national missile defense program is authorized to be a hedge against the emergence of a greater long-range missile threat than is now projected.

The committee believes that the theater ballistic missile threat deserves top priority. At the same time, however, the committee believes it is important to characterize this threat accurately. The biggest theater missile threat comes from relatively short-range ballistic missiles. This is understandable because the cost and technical complexity of ballistic missiles increase exponentially as their range increases. The Department maintains that 97 percent of the theater ballistic missile threat is from ballistic missiles with ranges of 1000 kilometers (620 miles) or less. Therefore, the committee believes that defense against these shorter range missiles should be BMDO's top near-term priority within its theater missile defense efforts.

Longer-range missiles are substantially more expensive and difficult to develop, build, and maintain than shorter range missiles. Moreover, longer-range missiles are useful primarily for carrying weapons of mass destruction. It would be militarily counterproductive to spend millions of dollars for individual missiles to deliver-with poor accuracy-the equivalent of two to four 500 pound bombs.

Long range missiles equipped with chemical, biological, or nuclear warheads would indeed impose extremely demanding performance requirements on U.S. missile defense systems. Upper-tier missile defenses should be designed to counter this threat and should seek to provide near-perfect defenses (far in excess of 90 percent success rate). The prospect of just one nuclear-armed missile out of ten getting through missile defenses and detonating in an area where U.S. military personnel were concentrated would have a decidedly chilling effect on public support for U.S. involvement in major regional contingencies. Even successful interceptions of hostile missiles would not necessarily mean protection of our troops from harm. Nuclear-armed missiles can be configured to detonate upon interception. In addition, interception does not necessarily destroy all the chemical or biological agents in a missile warhead.

To date, the Department has not addressed the issue of theater missile defense systems performance standards. Moreover, the BMDO is on the threshold of committing billions of dollars to the production of missile defenses. Consequently, the committee believes performance standards must be squarely faced if public support for theater ballistic missile defense efforts is to be sustained and before acquisition choices are made.

Therefore, the committee directs the Secretary of Defense to provide the congressional defense committees with classified and unclassified assessments of the threat from weapons of mass destruction delivered by theater ballistic missiles. The committee further directs the Secretary to determine the standards of performance BMDO systems are expected to achieve and must be achieved to counter the threats posed longer range missiles of mass destruction. This assessment shall be submitted with the fiscal year 1996 budget request.

The committee notes that for the last ten years, the overall ballistic missile defense program has been exempt from the normal budgetary discipline of funding for specific tasks. The BMD program now has a more stable set of objectives and is a more mature program. Accordingly, the committee has recommended

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authorizations by specific line item effort (as reflected in this report) and directs the Secretary of Defense in section 231 of the bill to submit future budgets on such a line item basis.

Upper tier theater missile defenses

The committee supports BMDO's upper tier research efforts. The committee believes that both the land-based and ship-based approaches have the potential to make important contributions to theater missile defense efforts. The committee urges the Secretary to take steps to minimize possible duplication of effort between the two approaches and to pursue those technologies that will maximize system performance in terms of lethality and extremely high intercept probability while keeping costs as low as possible.

Accordingly, the committee has recommended authorization of \$495.7 million for the Theater High Altitude Air Defense system (the full amount requested), and \$40 million for sea-based wide area defense (a \$22.25 million increase over the request). The sea-based wide area defense program is also eligible for consideration under the Theater Missile Defense Risk Reduction Fund. These funds should be used to accelerate testing of various concepts and to perform appropriate systems studies.

Lower tier theater missile defenses

The committee is concerned about the inconsistency between the land-based and sea-based lower tier theater missile defense programs. The committee notes that the Extended Range Interceptor (ERINT) missile, recently selected as the interceptor for the PAC-3 system, uses an interception concept known as "hit-to-kill." Under this concept, the interceptor directly hits its target at high speed, rather than coming close and exploding a warhead (called "blast fragmentation") as the Multi-Mode missile does.

The Department has explicitly and emphatically stated that the ERINT missile's "hit-to-kill" technology was the dominating factor in selecting the PAC-3 instead of the Multi-Mode missile. The Army has noted that a blast-fragmentation warhead allows a greater percentage of warhead submunitions and chemical/biological agents to survive intercept and land within targeted areas. The PAC-3 interceptor source selection decision was intensely scrutinized by the Army, the Defense Acquisition Board, and an independent panel of distinguished experts. All three reviews ratified the hit-to-kill concept and the ERINT selection. The committee accepts this judgment and believes that the new hit-to-kill approach is promising, though some level of risk remains (as the review board has pointed out).

The Navy lower tier interceptor utilizes the same, allegedly inferior, blast fragmentation approach that was explicitly and repeatedly rejected as the Army lower tier interceptor. This contradictory acquisition policy raises serious questions about the Navy lower tier option. The committee does not understand the Department's actions on these two programs and has received no satisfactory answers.

In addition, the committee is concerned about the tension between the need for missile-defense equipped ships to remain close to shore to protect shore areas, and the need for these ships to stand off from shore to reduce their exposure to missiles and other shore-based fire. The committee believes that this tension and the warhead lethality issue must be resolved before this multi-billion dollar Navy lower tier program proceeds.

Accordingly, the committee recommends authorization of \$210 million in demonstration-validation research, development, testing and evaluation (RDT&E) to be focussed on selected theater missile defense risk reduction activities: the three lower tier theater ballistic missile approaches (ERINT, Multi Mode, and Navy lower tier interceptors); and the sea-based wide area defense program. The committee directs the Secretary to use ERINT and Multi Mode funds to reduce risk in the PAC-3 program.

Section 233 would prohibit the Secretary of Defense from obligating these funds until 30 days after the Secretary provides the Congressional defense committees with a plan for allocating these funds. However, the Secretary should not obligate more than \$79.5 million for the Navy lower tier effort until the Secretary certifies to the congressional defense committees that a blast fragmentation warhead for a Navy lower tier defense interceptor is superior to a hit-to-kill lower tier warhead.

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The committee further directs that funds for the Navy lower tier system should be used to determine the proper warhead lethality approach for this program and the feasibility of adapting the Army lower tier interceptor for use on ships. The committee believes that the primary focus of the Navy lower tier program should be the interception of ballistic missiles and that program alternatives should be evaluated in this light. The committee notes that the Navy has other systems that address air breathing threats. The committee recommends no authorization of funds to begin procurement for the sea-based lower tier system.

Boost-phase interception

The committee notes the Department's recent emphasis on boost-phase interception of theater ballistic missiles. As a general proposition, the committee appreciates the many attractive features of this approach to ballistic missile defense but is puzzled by the Department's approach to the issue. The demanding timelines of boost-phase interception pose major problems to traditional interceptor approaches that would be aggravated by relatively modest offensive countermeasures.

For example, a laser-based approach to boost-phase interception seems to provide a better answer, but lasers capable of maintaining beam focus while traveling long distances through the atmosphere are a formidable technological challenge. Both approaches also raise significant Anti-Ballistic Missile Treaty questions as well. The committee notes that the BMDO is seeking more funding for space-based laser research than it is for atmospheric-based boost-phase interception, priorities with which the committee does not concur.

The Department has not presented the committee with persuasive evidence that the Department's overall priorities in this area are proper. Accordingly, the committee has recommended authorization of \$33.6 million for boost-phase interception RDT&E, a \$27.5 million reduction from the requested level. The committee has also recommended authorization of \$20.5 million for chemical laser research, a \$57.0 million reduction. The committee further recommends that the Secretary use this funding for atmospheric and ground based laser approaches.

National missile defense

As noted above, the committee is in general agreement with the Bottom-Up Review's (BUR) ballistic missile defense priorities. The BUR recommends expenditures for national missile defense of \$400 million per year, and \$200 million per year for the Brilliant Eyes sensor program.

The committee recommends denying the \$120 million request (within the BMDO) for Brilliant Eyes. However, the committee has recommended, in another portion of the bill, \$300 million for the satellite early warning assurance fund, of which \$120 million was derived from the Brilliant Eyes request. The committee recommends giving the BMDO the discretion to fund Brilliant Eyes, and the other alternatives described above, from this account. The committee has recommended authorization of \$400 million in other national missile defense programs as called for by the Bottom-Up Review.

Technology base

In addition to the funding modifications described above, the committee recommends specific changes in the technology base program supporting the Ballistic Missile Defense Organization as detailed in the table below. All other projects within the technology base program are recommended for authorization at the requested levels.

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MODIFICATIONS TO BMD TECH BASE PROGRAM

No. and project	Request	Recommended	Change
PE 603216C			
1105 Discrimination	58.1	48.1	(10.0)
1216 NavyUpperTier	17.75	40.0	22.25
1501 Survivability	4.9	3.8	(1.1)
1502 Lethality/Tgt	32.8	26.8	(6.0)
3101 EngineerIntSup	45.6	41.6	(4.0)
3201 ArchStudy	42.2	42.2	(0.0)
3300 T&E Support	163.9	163.9	(0.0)
SUBTOTAL			1.15
PE 603217C			
1101 Passive Sensors	24.5	14.5	(10.0)
1102 Radar	10.0	5.0	(5.0)
1106 SensStdExpt	48.6	38.6	(10.0)
2300 BMC3	56.5	39.5	(17.0)
3300 T&E Suppt	103.1	78.0	(25.1)
1215 BPI	61.1	33.6	(27.5)
1302 ChemLaser	77.5	20.5	(57.0)
1305 ATP/FC	12.5	6.5	(6.0)
3203 Intel Threat	8.1	6.1	(2.0)
3204 Integration	18.3	14.3	(4.0)
3206 Syst Threat	6.9	4.9	(2.0)
4000 Operational Support	48.0	28.0	(20.0)
TOTAL			(185.6)
PE 603218C			
4000 MgmtSuppt	215.2	198.8	(16.4)

Additional matters

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Finally, the committee continues to support the joint U.S.-Russian space research effort known as RAMOS (Russian-American Observational Satellites). The effort should have substantial defense and environmental benefits, and should assist in tearing down Cold War barriers. Therefore, the committee recommends that \$10 million be made available for RAMOS within program management agreement (PMA) 1106.

The committee also recommends that by February 1, 1995, and for the next five years, the Director of the Ballistic Missile Defense Organization should provide a report to the congressional defense committees on any contracts or agreements BMDO plans to sign or enter into on a noncompetitive basis with a national laboratory for suborbital launch services in the next fiscal year. The report should include a justification for seeking noncompetitive services, a description of the launch vehicle, and an outline of all costs associated with the launch.

HASC, p. 128-132

Center for adaptive optics

The committee recommends an additional \$5 million in PE 601103D to complete the university research initiative for the technology transfer of adaptive optics that was started in fiscal year 1993. Adaptive optics, which has been pursued by the Ballistic Missile Defense Organization and the Office of Naval Research, is applicable to research oriented ground based general astronomy. The committee encourages the Secretary to be more expedient in awarding this program.

Central test and evaluation investment program

The committee is aware of an unfunded requirement that would establish a real time data link between the Air Combat Environment Test and Evaluation Facility (ACETEF) and the Realtime Electromagnetic Digitally Controlled Analyzer and Processor (REDCAP) facility. Such a link would provide man-in-the-loop interactions, replacing "canned scenarios," and significantly enhance the validity of test results at both facilities. The committee recommends an additional \$3.5 million in PE 604940D for this purpose.

Cobra ball

The budget request did not include research and development funding for the RC-135 Cobra Ball program. To enhance intelligence support to the warfighter, the committee recommends an additional \$13.646 million in PE 305154D for the infrared Acquisition Array. These enhancements will enable the RC-135 Cobra Ball aircraft to provide a wide spectrum of essential technical data in direct support of nonproliferation objectives, treaty verification, and intelligence requirements that include ensuring a high fidelity theater missile defense data base.

Cooperative DOD/VA medical research

The committee recommends an authorization of \$30 million in PE 603738D for the continuation of the Department of Defense and Department of Veterans Affairs cooperative medical research program. This program supports medical research projects conducted in Department of Veterans Affairs medical centers that are relevant to the DOD's biomedical research mission and to other joint projects.

The committee notes that diabetes is a chronic and often fatal disease affecting more than 13 million Americans; estimates indicate that at least 15 percent of veterans admitted into VA hospitals suffer from diabetes. The Department of Veterans Affairs spends 14 percent of its medical care budget on direct care of patients with diabetes. The committee recommends, as part of the Cooperative DOD/VA Medical Research program, that the two departments consider establishing a public/private partnership for diabetic research, with partial funding from private sources.

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The committee notes that there is a serious problem in the diagnosis and treatment of prostate cancer. The committee also notes that artificial neural networks (ANNs), which can recognize very complex patterns in data and information, have the potential to be excellent tools for clinical decision making in prostate cancer, testicular cancer, cardiovascular problems, and many other areas. Demographic data available through the Department of Veterans Affairs would play an important role in extending and validating the application of ANNs to prostate cancer detection and treatment. Therefore, the committee recommends, as part of the Cooperative DOD/VA Medical Research program, that the two departments consider funding continued research in the application of ANNs to the diagnosis and treatment of prostate cancer.

The committee also notes that the DOD and the VA have identified funding in the cooperative program to fund Gulf War Syndrome research activities at the levels authorized in the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160). The committee recommends continued support of an aggressive research program into the causes and treatment of Gulf War Syndrome from the fiscal year 1995 funds authorized for the Cooperative DOD/VA Medical Research program.

The committee notes that Congress initiated the DOD/VA cooperative program in fiscal year 1987 and has continued to authorize it every year. Congress will continue to support this program and is disappointed that the Department has not recognized the value of this cooperative research program and provided the necessary resources in its requests.

The committee directs the Secretary of Defense to report on the annual utilization of these funds since 1987, the current status of DOD/VA medical research with these funds, and the rationale behind the Department's failure to continue a high-level of DOD/VA research in view of the high number of expected veterans that will require specialized attention from the cold war build-up. The Secretary of Defense shall provide the report to the congressional defense committees not later than February 15, 1995.

Coronary angiography

The committee recommends \$2.2 million in PE 603739E for continued research and development of clinical imaging of coronary arteries in Advanced Research Projects Agency (ARPA)'s ongoing coronary angiography program.

HASC, p. 133-134

Defense airborne reconnaissance program

Battle damage assessment

Of the fiscal year 1995 funds authorized for the Defense Airborne Reconnaissance Program, the committee recommends that \$1.9 million be used to investigate the use of a conventional air launched cruise missile equipped with a low-cost sensor and data link package to provide tactical air forces with real time battle damage assessment (BDA). The investigation should consider the use of a flight demonstration of a T-33 aircraft equipped with an electro-optic (EO) framing camera with forward motion compensation, a solid state recorder, and a joint tactical information distribution system (JTIDS) data link; requirements and cost analysis for adaptation of an AGM-86B cruise missile as a BDA sensor platform; and assessment of the utility of the EO framing camera/JTIDS for manned aircraft applications.

Ground processing systems

The committee is concerned that the Army and the Marine Corps are going separate paths in developing separate imagery processing technologies for the Joint Service Imagery Processing System (JSIPS). The committee is concerned about the potential interoperability problem that could result. The committee realizes that

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the Defense Airborne Reconnaissance Office (DARO) has not had the opportunity to evaluate the merits of the alternatives to JSIPS being developed by the services and understands that a revised common imagery processing system is under development.

Accordingly, the committee recommends denying the Marine Corps request of \$28.7 million for procurement of a JSIPS alternative. The committee directs that \$8.3 million of the funds authorized for development of the Army alternative be withheld until a DARO-approved plan defining the new JSIPS acquisition strategy has been submitted to the congressional defense committees.

Multispectral imagery

The committee understands that the Department of Defense has retained approximately \$27 million in unobligated fiscal year 1994 funds authorized for space-based multispectral imagery. Subject to appropriation, the committee recommends the authorization of \$10 million of the unobligated fiscal year 1994 funds to continue software and workstation development for the multispectral imagery (MSI) project and to conduct an airborne demonstration using MSI technologies developed within an Air Force special access program that was recently terminated.

Tactical moving target indicator

The committee does not believe that the Army and the Defense Airborne Reconnaissance Office are meeting their responsibilities in providing an adequate replacement for the aging OV-1 MOHAWK reconnaissance, surveillance, and target acquisition aircraft. Recent events on the Korean Peninsula and the MOHAWK's surveillance mission along the Demilitarized Zone heighten these concerns. Of the funds authorized for the Defense Airborne Reconnaissance Program, the committee recommends an authorization of \$15 million to begin developing low cost solutions for a MOHAWK replacement, including the potential lease of commercially available platforms.

HASC, p. 134-135

Defense experimental program to stimulate competitive research

The committee is pleased that the Department is implementing the defense experimental program to stimulate competitive research (DEPSCoR) and recommends \$20 million to continue this program. The committee is concerned, however, that the Secretary of Defense has not coordinated DOD efforts with the Director of the National Science Foundation, the Director of the Office of Science and Technology Policy and the state-based EPSCoR committees. After the consultation, planning and research activities are underway, the Department should conduct additional merit-based competitions for grants in areas of science, mathematics and engineering important to its mission. Awards should focus on those proposals which strengthen infrastructure, enhance research, and develop human resources. This will assist the EPSCoR states to become more competitive for regular research and training grants. To assure maximum effectiveness and coordination, all program solicitations should be coordinated with the state EPSCoR committees. All awards should be made through those same committees. Substantial weight should be given to the likely impact an award will have on the states overall EPSCoR program.

HASC, p. 135-136

Electronic materials

The Department's research efforts, coupled with the more than three-fold matching funds of industry, have put the United States in a world leadership position in synthetic diamonds. These materials are essential for thermal management of electronic packaging systems and for machine cutting tools.

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The committee believes the United States can translate its technical leadership into future market leadership if we can decrease the diamond manufacturing cost by a factor of ten by the 1996 market window. To achieve these goals it becomes crucial that the Advanced Research Projects Agency (ARPA) accelerate its electronic materials program in diamond and other emerging new high thermal conductivity materials, including high thermal conductivity fibers for heat sinks. Accordingly, the committee recommends an additional \$8 million in PE 602712E.

HASC, p. 137

Flat panel display technology

The committee approves of the President's recent initiative in flat panel display technology. The committee recommends an additional \$25 million in PE 602708E to continue the program at the fiscal year 1994 pace.

Fuel cells

The committee continues to support research and development for fuel cells and recommends an additional \$5 million in PE 603226E for further development of the molten carbonate direct fuel cell power plant demonstration.

Gamma-gamma resonance imaging

The committee continues to be interested in gamma-gamma resonance imaging technology for bomb and illegal drug detection. Congress provided funding for this research initiative in both fiscal years 1993 and 1994 and is concerned that the program has not been properly executed by the Department. The committee reiterates its direction contained in the committee report on H.R. 2401, the National Defense Authorization Act for Fiscal Year 1994 (H. Rept. 103-200) that the Advanced Research Projects Agency (ARPA) move forward on this program expeditiously.

The committee directs that all funding, including unobligated prior year funding provided under this program, be used only for the purpose of developing a working prototype of a concealed bomb detection system, such as a baggage handling system, based on gamma-gamma resonance imaging technology. In order to complete this effort, the committee recommends authorization of \$4.7 million in PE 603226E.

High resolution camera

The committee applauds the Administration's flat panel display initiative and the Advanced Research Projects Agency's (ARPA) advancements in high definition systems. The committee is aware of university advances in high resolution camera development and recommends that ARPA direct \$5 million of the request for high definition systems to consortia efforts involving industry, academic institutions and Federal laboratories for high resolution camera development.

High temperature superconductivity/cryoelectronics

The committee continues to see the benefit of continued application of high temperature superconductivity (HTSC) in the performance of advanced integrated circuit performance. The committee believes the Advanced Research Projects Agency (ARPA) HTSC program should be broadened to develop the complete suite

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of cryoelectronic technology infrastructure which could impact nearly every commercial and defense application. The committee therefore recommends an additional \$8 million in PE 602712E for this purpose.

Joint tactical unmanned aerial vehicle system

The budget request included \$55.4 million in PE 305154D for the maneuver variant unmanned aerial vehicle (UAV) and ground stations. Congress denied the fiscal year 1994 budget request for this program. The committee continues to believe that insufficient justification exists for yet another UAV and recommends that no funding be provided for the maneuver variant UAV in fiscal year 1995. Therefore the committee recommends only \$13.1 million of the requested amount for down-sized ground stations.

In addition, the committee believes that the Common Automatic Recovery System (CARS) has proven its ability to reduce accidents and is more cost-effective than pilot assisted recovery procedures. Therefore, the committee supports the incorporation of CARS into the Pioneer UAV system and recommends an additional \$7.0 million in PE 305154D for this purpose.

Low probability of intercept communications for special operations forces

The committee recommends an increased authorization of \$500,000 in PE 1160402BB for advanced technology development, testing, and demonstration of a low probability of intercept/low probability of detection radio system for use by special operations forces.

HASC, p. 137-138

Mercury cadmium telluride

The committee is aware that the Department is testing mercury cadmium telluride (MCT) detectors and notes its superior performance at room temperatures, thus eliminating expensive low temperature environment packages. The committee directs the Secretary of Defense to evaluate past Army, Air Force and Ballistic Missile Defense Organization MCT tests, and to perform additional tests of these detectors for infrared focal plane arrays and other detector applications such as explosive material detection. The Secretary shall report the findings to the congressional defense committees not later than February 1, 1995. The committee recommends adding an additional \$1 million in PE 602712E for this evaluation.

Microballoon technology

The committee recommends continuing the fiscal year 1994 initiative of microballoon technology applications for low observable applications to enhance stealth in military systems. The committee recommends an additional \$4.125 million in PE 602712E.

Multi-functional self aligned gate (MSAG)

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The committee is aware of the potential of MSAG developments at the Advanced Research Projects Agency (ARPA). The committee recommends an additional \$16 million in PE 603226E to be used to continue building generic antenna arrays for communications, radar, electronic warfare, and for potential integration of these arrays on unmanned aerial vehicles.

HASC, p. 139

National test facility

The committee is concerned about the full utilization of the supercomputing capabilities of the National Test Facility (NTF) located at Falcon Air Force Base, Colorado. The committee directs the Secretary of Defense to submit a report to the congressional defense committees by January 1, 1995, detailing other DOD functions that could use the NTF's computing capabilities.

Additionally, the committee directs the Comptroller General to submit a report to the congressional defense committees by January 1, 1995, which examines possible uses of the NTF by other agencies. The study should include but not be limited to: (1) leakage; (2) support to the Department of Education through the development of on-line educational software; (3) support to the Department of Health and Human Services through the development of an on-line medical imagery repository; (4) support to the Federal Emergency Management Administration through the development of innovative emergency reaction simulations; and (5) support for the National Oceanic and Atmospheric Administration through climatological modeling.

Non-nuclear materials demilitarization program

The rocket motor demilitarization program was expanded in the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) to investigate environmentally sound underground disposal in existing tunnels at the Nevada test site. The committee recommends an additional \$4.5 million in PE 604704D for completion of this initiative and further recommends an expansion of the demonstration project to include disposal of non-nuclear explosives.

Parallel integrated circuit manufacturing

The committee is convinced that substantial gains can be achieved in integrated circuit manufacturing in terms of performance and price through the management of connectivity (off/on chip interconnects), reduction of defect density in the chip manufacturing process and thermal conductivity improvement (management of heat loads). Factors of ten in circuit performance are projected if methods of parallel manufacturing processes now being considered prove to be successful. This concept addresses the fundamental problem inherent in high off-chip connectivity and the defect density which is aggravated during the multi-layering manufacturing process. Advanced methods to eliminate layering steps will bring on-chip and off-chip wiring densities into balance in a seamless, homogeneous end-product. This will provide a quantum jump for the semiconductor industry in price/performance output.

Accordingly, the committee recommends an additional \$20 million in 603739E.

Physical security equipment

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The budget request included \$21.4 million in PE 603228D for physical security systems. The committee understands that the request originally included an additional \$7.5 million for a mobile detection assessment and response security system. This program demonstrates significant potential savings to the Department by reducing the loss of material and equipment through theft and mismanagement. Accordingly, the committee recommends a total authorization of \$28.9 million.

Projectile detection and cueing

The committee believes there is technology available to solve many of the problems being encountered in conducting both warfare operations and operations other than war. One area of particular interest is the detection and localization of sources for sniper gunfire. The committee recommends an addition of \$2.0 million in PE 603226E to begin an initiative for small arms projectile detection and cueing. The committee notes this initiative as a congressional interest item.

Rapid acquisition of manufactured parts

The budget request included \$6.2 million in PE 603736D for the Rapid Acquisition of Manufactured Parts (RAMP) program. The committee understands that an additional \$11 million will be provided from the Defense Base Operating Fund. The RAMP program has demonstrated great value in applying flexible computer integrated manufacturing and repair technology to the manufacture of mechanical parts, the fabrication and test of printed wiring assemblies, the repair of turbine engine blades and vanes, and related repair activities at Department facilities. The committee supports the Department's request and expects the RAMP program to be funded as requested.

Rewritable optical disk drives

Small form factor rewritable disk drives are recognized for their potential for providing interchangeable and interoperable data bases for the shared view of the battlefield in the Department of Defense battlefield data systems. The committee directs the Secretary of Defense to consider providing supplemental funding for the development of the primary commercial electronics, optics and interface software to enable commercial drive architecture to be used for military as well as civilian purposes. In addition, the committee directs the Secretary of Defense to investigate techniques to further ruggedize the dual-use commercial off-the-shelf (COTS) devices for military use.

Simulation based design

The committee is encouraged by the progress shown in the Advanced Research Projects Agency's (ARPA) simulation based design (SBD) program. This technology has the potential to contribute to the acquisition reform process, particularly as it applies to the acquisition of complex systems. In order to accelerate the application of these emerging technologies to Department of Defense problems, the committee recommends an additional \$15 million in PE 602702E (project TT-03) for ARPA to demonstrate the role of SBD technology in the requirements and acquisition process.

The committee directs the Director of ARPA to address application of advanced simulation technologies as they apply to the derivation of requirements for, and the acquisition of, ships and ship weapon systems. The committee further directs the Director of ARPA to formulate and consummate a memorandum of understanding with the Secretary of the Navy that will assure transition of this work to the Naval Sea Systems Command and other appropriate Navy organizations.

Telemedicine and health technology

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The committee is aware of the potential for greatly improving the delivery of military and civilian health care services through telemedicine and other health technologies. The committee believes that the Advanced Research Projects Agency (ARPA) can be a focal point for development and application of telemedicine and other dual-use health technologies.

Accordingly, the committee directs the Secretary of Defense, acting through the Director of ARPA, to convene a working group of Federal health research agencies to explore the potential use of ARPA resources and dual-use technologies to advance the development and application of telemedicine and other health technologies. The Secretary shall report to the Committees on Armed Services of the Senate and House of Representatives on the nature and findings of the working group within six months of enactment of this Act. The committee recommends that \$5 million of PE 602301E be used for this purpose.

Undergraduate centers of excellence

The committee directs the Secretary of Defense to enter into an agreement with the Secretary of Energy to identify and support undergraduate centers of excellence in support of historically black colleges and universities (HBCU) in furtherance of the following goals;

- (1) Training of women in environmental, computer and physical science where such activities can be demonstrated to support defense reinvestment and conversion policy objectives;
- (2) Improvement of facilities through use of existing funds to support such academic training.

The committee recommends an additional \$10 million be provided in PE 602228D.

LEGISLATIVE PROVISIONS

SECTION 211-SPACE LAUNCH MODERNIZATION

This section would establish policy for modernization of the Department of Defense space launch program. It also would direct the Secretary of Defense to begin several initiatives to recapture U.S. leadership in space launch technology and operations. The Secretary would be required to provide centralized oversight of space launch programs, to encourage the use of commercial practices, to reduce space launch costs, and to enhance coordination between military, civilian and commercial launch developers and users.

SECTION 212-STANDOFF AIR-TO-SURFACE MUNITIONS TECHNOLOGY DEMONSTRATION

This section would authorize \$2 million for the Navy and \$2 million for the Air Force to demonstrate non-developmental technology that would enable the use of a single adoptor kit for certain munitions to give them a near-precision guided capability. The Secretary of Defense would be required to submit a report to the congressional defense committees on the results and cost of the demonstration.

SECTION 213-EXTENSION OF PROHIBITION ON TESTING MID-INFRARED ADVANCED CHEMICAL LASER AGAINST AN OBJECT IN SPACE

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This section would prohibit the testing of the Mid-Infrared Advanced Chemical Laser (MIRACL) against an object in space during 1995 unless such testing is specifically authorized by law. For the past several years the Congress has included language in the National Defense Authorization Acts to prohibit the testing of MIRACL against an object in space. The committee believes that the policy implication of such testing should be addressed before actual testing can occur.

SECTION 214-APPLICABILITY OF CERTAIN ELECTRONIC COMBAT SYSTEMS TESTING REQUIREMENTS

This section would amend section 220 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) by limiting the applicability of the section to electronic combat systems whose cost of development and acquisition resulted in their designation at Acquisition Category I systems (major defense acquisition programs).

SECTION 215-ADVANCED SELF PROTECTION JAMMER (ASPJ) PROGRAM

This section would require the Secretary of the Navy to obligate funds appropriated to the Department of Defense for fiscal year 1994 and prior years to carry out logistics support, maintenance, and integration of the Advanced Self Protection Jammer system into the F-14D aircraft.

HASC, p. 142-143

SECTION 217-FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTERS

Current regulations prohibit federally funded research and development centers (FFRDCs) from participating in the government/industry partnerships encouraged by the Technology Reinvestment Project (TRP) and by the Department of Commerce's Advanced Technology Program (ATP). The committee notes that other Federal laboratories should be permitted to joint the partnerships. The committee believes that the FFRDCs contain some of the most talented people in the nation whose skills could be applied for the national good through industrial partnerships.

Accordingly, this provision would permit a FFRDC of the Department of Defense to participate in these government/industry partnerships.

SECTION 218-DEFENSE EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH

This section would establish a Defense Experimental Program to Stimulate Competitive Research (DEPSCoR) as part of the university research programs of the Department of Defense to permit academic institutions in eligible states to establish a more competitive position with respect to the award of Federal research and development funding. Eligible states include those states designated by the Director of the National Science Foundation that historically have received relatively little Federal research and development funding, yet have demonstrated a commitment to develop their research bases and improve science and engineering research and education programs at their universities and colleges.

HASC, p. 143-144

SECTION 231-BALLISTIC MISSILE DEFENSE ORGANIZATION BUDGET PRESENTATION

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This provision would require that the amount requested for the Ballistic Missile Defense Organization in any fiscal year would be listed in the budget request by each program element project within that program element, and activity of the BMDO, as well as the total amount requested for the BMDO.

SECTION 232-THEATER MISSILE DEFENSE PROGRAMS

This section would authorize \$40 million to support the aggressive exploration of the Navy Upper Tier Program for Naval Theater Missile Defense. It also would direct the Secretary of Defense to initiate in fiscal year 1995 an accelerated Advanced Concept Technology Demonstration Program to demonstrate the Navy's Block IV Standard Missile with a kick stage rocket motor and the Exoatmospheric Projectile for Theater Missile Defense. The section also would set as the first priority of the Theater Missile Defense capability the deployment of a layered land-based capability consisting of the Patriot Advanced Capability (PAC-3) system and the Theater High-Altitude Area Defense (THAAD) system; and a layered sea-based Theater Missile Defense capability consisting of the Navy Lower Tier theater missile defense program and the Navy Upper Tier theater missile defense program.

SECTION 233-THEATER MISSILE RISK REDUCTION ACTIVITIES

This provision would establish a theater missile defense risk reduction program within the program requested in fiscal year 1995 for the Ballistic Missile Defense Organization (BMDO) and would authorize \$210 million for that purpose. The extended-range interceptor (ERINT), the Multi-Mode Missile, sea-based lower tier systems, and sea-based upper tier systems selected by the BMDO would be eligible for additional funding from this authorization for risk reduction activities.

SECTION 234-MILITARY SATELLITE COMMUNICATIONS

This provision would require the Secretary of Defense to develop a military communications master plan that addresses the projected military communications requirements of the Department of Defense. The provision also would require a number of other actions that are discussed above.

SECTION 235-LIMITATION ON FLIGHT TESTS OF CERTAIN MISSILES

This section would prohibit the Secretary of Defense from conducting a flight test program of theater missile defense interceptors and sensors if an anticipated result of the launch of a missile under that test program would be the release of debris in a land area of the United States outside a designated Department of Defense test range.

HASC, p. 144-145

TITLE III-OPERATION AND MAINTENANCE

OVERVIEW

The President presented his fiscal year 1995 defense budget as one that will preserve the readiness of the armed forces because of its \$5 billion increase in operation and maintenance (O&M) funding. This increase, however, is financing a heavy defense infrastructure rather than financing greater readiness for our

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forces. Indeed, much of the growth in the O&M budget request is in inflationary adjustments and revolving fund rate adjustments (mostly to cover prior-year expenses). The increases are not providing funds for greater battlefield safety and effectiveness.

There are important differences between the hollow force of the 1970s and the threat that our current forces may experience the same problems. Indicators of recruit quality, compensation, experience, skill levels, and staffing assure the committee that the services are not as near the "readiness edge" in the personnel area as some have argued.

TOP-HEAVY INFRASTRUCTURE

The committee believes that defense spending priorities are flawed. For example, the Department of Defense has failed to make reductions in infrastructure programs. This causes individual operating units to make reductions in essential areas while support infrastructure continues to absorb more and more of their budgets.

The Bottom-Up Review (BUR) failed to address the infrastructure and readiness issue because it did not make hard decisions about force structure, and roles and missions. The BUR also did not address the readiness versus infrastructure question. The recently released Readiness Task Force report did not address this question either.

The committee believes that the portion of the budget that funds the warfighting capability can and should be cut in proportion to the reductions in force structure. Moreover, to sustain forces at a high state of readiness, funding should be reduced for those aspects of defense spending that are considered as infrastructure or overhead support.

In short, the committee believes that wistful spending cannot be cloaked by characterizing it as readiness-related. U.S. forces continue to maintain a high readiness posture and will not lose this capability under existing funding levels if the Department of Defense makes the right structural changes. But until structural reforms occur, the Department will be forced to fund its costly infrastructure at the expense of the operating tempo and training accounts.

The committee believes that the Department must make reductions in life-cycle operations and support costs a priority of the acquisition system. There is considerable evidence that the "microelectronic era" has the potential to pay big dividends in operation and support (O&S). Consequently, the Department should be prepared to sacrifice marginal improvements in a new system's operational capability for greater O&S savings in maintainability, reliability, and manpower costs. Also, during the early days of acquisition decisionmaking, the Department needs a better assessment of a system's O&S implications.

FORCE READINESS

The committee remains committed to providing the resources needed to ensure the readiness of the armed forces. The committee notes that, despite a proposed \$5 billion increase in spending for operation and maintenance during fiscal year 1995 and despite a 30 percent reduction in force structure, Department witnesses continued to express grave concern about shortages of funding to support direct combat readiness, equipment, maintenance, facilities, and training.

Commanders and senior noncommissioned officers from all the services testified before the committee about force readiness. Each commander believed that his unit was combat ready. Nevertheless, the committee also received testimony that would suggest that current readiness has already eroded and that future readiness is in real jeopardy if projected operation and maintenance funding levels were reduced below current levels.

For example, one witness testified that an Army unit was only 85 percent manned and another witness stated that an Air Force unit was severely crippled by engine part shortages. A Marine testified that a unit had deployed with only half its equipment and a Navy servicemember stated that the spare parts system showed signs of stress. All the witnesses also expressed great concern about the effects of increasingly intense personnel tempo and about the erosion of benefits and quality of life.

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The committee is concerned that the Department of Defense is not attaching the right priorities to defense spending. Accordingly, section 311 of the bill would limit the transfer of authorized funding for operating forces accounts, section 304 of this bill would increase authorized funding for depot maintenance, and section 373 would convert 30,000 non-readiness military positions to Federal civilian positions. The committee believes that these provisions will help correct and address many of the concerns brought to its attention.

HASC, p. 146-147

AIRLIFT

The committee notes that core airlift capabilities rely on the aged C-141 fleet and on our ability to entice commercial airlines back into the civil reserve air fleet (CRAF). The committee believes that the commander of TRANSCOM should carefully review three proposals suggested by the General Accounting Office that may help delay the retirement of the C-141s:

- (1) Creating a companion trainer aircraft program;
- (2) Increasing the use of flight simulators; and
- (3) Using KC-10s and KC-135 tanker aircraft, or commercial aircraft whenever possible, for regularly scheduled airlift missions.

The committee recognizes that some start-up costs must be incurred to implement a companion trainer aircraft program and to increase simulator usage. Nevertheless, the committee believes that these concepts can play an important role in helping to extend the useful life of C-141 aircraft until an adequate number of new intertheater airlift aircraft become available.

The committee recognizes that these actions alone will not work without a continued commitment from the Department that it will not fly the peacetime hours "saved" on the C-141s. These hours must be "banked" to protect readiness for future national emergencies.

HASC, p. 149 (O&M)

DEPARTMENT OF DEFENSE FINANCIAL MANAGEMENT

Vast resources are entrusted to the Department of Defense. Consequently, it is imperative that the Department have effective financial management and internal control systems. However, report after report by the General Accounting Office, the DOD Inspector General, and the military service audit agencies, have disclosed widespread weaknesses and significant problems with DOD's financial management operations, systems, and controls.

Severe shortcomings in DOD's financial operations preclude accountability over hundreds of billions of dollars. Consequently, decision makers-DOD management, Congress, and OMB-do not have the information needed to run the Department in an efficient and effective manner. Moreover, because the Department does not have adequate financial management systems and internal controls it continues to:

- (1) Overpay contractors hundreds of million of dollars;
- (2) Improperly pay employees, including employees who do not exist;
- (3) Disburse billions of dollars without matching the disbursements to obligations; and
- (4) Have significant problems over accounting for funds in the "M" accounts.

The Department has embarked upon the Defense Business Operations Fund (DBOF) and the Corporate Information Management (CIM) project as the means to correct its long-standing financial problems. These two management initiatives could result in significant savings. The Department, however, has had limited success in implementing these two initiatives. Every dollar the Department wastes due to the ineffective management of its infrastructure, is one less dollar it will have to maintain the readiness of our forces.

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The Department acknowledges that financial management complacency has permitted pervasive and harmful weaknesses in DOD financial management operations to continue. The recognition of the problems facing the Department's financial management operations represents a marked change in DOD's management philosophy. However, recognizing that a problem exists does not automatically result in correcting the problem. The Department and Congress must continue to work towards fixing the problems.

HASC, p. 150-151 (O&M)

DOD HAS CONTINUING PROBLEMS WITH "M" ACCOUNTS

Due to years of neglect, inadequate systems, and poor management, the Department could not properly implement provisions of the "M" account legislation codified in sections 1406 and 1551 to 1557 of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510). For example, the Air Force did not have adequate controls over "M" accounts and could not adequately document hundreds of millions of dollars in budget authority it restored to correct what it characterized as over 30 years of accounting errors. Unfortunately, DOD's problems with accurately accounting for and reporting on its "M" accounts continue.

In February 1994, the General Accounting Office notified the Secretary of Defense that it had identified five DOD "M" accounts that, according to DOD financial reports, may have been overexpended by \$152.7 million as of September 30, 1993. It is worth noting that an expenditure of obligation in excess of an appropriation or fund balance violates the Anti-deficiency Act. The Department has acknowledged that the five "M" accounts may have been overexpended.

Accordingly, the committee directs the Secretary of Defense to provide the congressional defense committees with a comprehensive report on the results of its investigation into the "M" account problem. The report should include the specific causes for the violation, the corrective actions being put in place to ensure that this does not occur in the future, and the identification of the individual(s) accountable for ensuring that such violations do not occur again. The report shall be submitted no later than February 1, 1995.

HASC, p. 152-153

DBOF HAS NOT MET OBJECTIVES

The Department of Defense continues to struggle with operating the Defense Business Operations Fund (DBOF) as a business entity. If DBOF is operated in an efficient and effective manner, it can significantly improve DOD operations. However, as the committee and the General Accounting Office have reported over the last several years, the Department has not achieved DBOF's objectives because:

- (1) Policies critical to DBOF operations have not been developed or need to be revised;
- (2) DBOF financial reports are inaccurate; and
- (3) The cost accounting systems are fragmented, costly to maintain, and do not provide the information necessary for managers to better control costs.

DBOF CASH MANAGEMENT PROBLEMS CONTINUE

The Department of Defense estimates that DBOF will collect and disburse about \$77 billion in fiscal year 1995. However, the Department continues to experience difficulties in effectively managing DBOF's cash. For example, DBOF did not have sufficient cash to make a \$3.05 billion transfer directed by section 306 of the National Defense Authorization Act for Fiscal year 1993 (Public Law 102-484). Moreover, Department of Defense Appropriations Act, 1993 (Public Law 102-396) directed the Department to transfer \$5.5 billion from DBOF to the customer accounts. To alleviate this situation, the Department began to advance bill customers in June 1993 for goods and services that had not yet been provided. If the Department had not advance-billed, DBOF would have had a negative \$1.6 billion cash balance on January 31, 1994.

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The committee believes that advance billing is more of a stopgap measure than a sound business practice. The Department plans to eliminate the advance billing practice by the end of fiscal year 1995. The committee will hold the Department accountable to this milestone.

DBOF POLICIES STILL NOT DEVELOPED

The Department has not developed the necessary policies to operate DBOF, and this has resulted in budgeting, accounting, and reporting problems. DBOF's financial reports reflect the inconsistent application of policies across the business areas. Also, the lack of procedural guidance contributed to numerous after-the-fact changes and retroactive adjustments to the reports. DBOF's various field activities will need even more detailed procedures to implement these policies. Moreover, a very substantial effort will be needed to train the people who will be implementing the policies.

DBOF FINANCIAL SYSTEMS ARE INADEQUATE

DBOF has 80 disparate, unlinked financial systems and approximately 200 ancillary systems that provide financial data. Accounting data are often incomplete, untimely, and useless. Nevertheless, these data are used to set the prices DBOF will charge its customers. In turn, the prices are used as the basis for establishing customers' budget requests.

Little progress has been made in fixing DBOF's financial systems. The committee is concerned that the Department may make another false start in improving the DBOF systems and the current antiquated systems will continue to be used to account for DBOF resources. Cost data must be accurate for congressional oversight and control over customers' budget requests.

DBOF FINANCIAL REPORTS CONTINUE TO CONTAIN INACCURATE INFORMATION

The General Accounting Office has continued to report that DBOF's financial reports are inaccurate. Further, because the fiscal year 1992 year-end financial statements were incomplete and audit trails were inadequate, the DOD Inspector General could not express an opinion on the fund's financial statements as required by the Chief Financial Officers (CFO) Act.

Profit and loss figures in the accounting and budgeting reports differ. The fund's fiscal year 1993 financial and budget reports show amounts that differ by \$6.1 billion for net operating results. Because the financial and budget reports differ, the committee does not know if DBOF customers' budget requests are accurate.

The GAO believes that the Department must take action in the short-term to improve financial reports and not wait until financial systems are improved because this will take several years. Accordingly, the Department must:

- (1) Exercise more discipline in following and enforcing existing policies and procedures;
- (2) Routinely review and analyze monthly reports to identify inaccuracies; and
- (3) Take the steps needed, such as providing additional guidance to field activities, to correct the identified problems.

The committee is concerned about the continued bookkeeping and reporting problems associated with DBOF operations. For example, the Navy supply management business area reported a profit of \$23.1 billion as of May 1993. This reported profit was over five times greater than the reported revenue of \$4.3 billion and, therefore, in error. If the Department does not undertake the necessary short-term actions, the reports on DBOF operations in fiscal years 1994 and 1995 may be no more reliable than those issued for fiscal years 1992 and 1993.

In sum, a \$77 billion enterprise requires accurate business reports on operating results. These reports should include accurate income statements, balance sheets, and cash flow statements as required by the Chief Financial Officers Act.

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DBOF CAPITAL ASSET PROGRAM

When the Defense Business Operations Fund (DBOF) began operating in October 1991, the Department reinstated a procedure wherein capital investments (equipment, minor construction, and management information systems costing more than \$25,000) would be purchased with revolving funds rather than through direct appropriations. The Department funds the cost of these investments by including depreciation expenses in the prices charged to DBOF customers. If the amount of depreciation is not sufficient to fully fund the investment program, the Department adds a surcharge to the price.

This table identifies the actual or expected DBOF capital investment budget for fiscal years 1993 through 1995, along with the amount of the surcharge added each year:

CAPITAL ASSET BUDGETS AND DEPRECIATION SURCHARGES

Fiscal year	Capital asset budget (in billion)	Surcharge (in millions)
1993	\$1.5	\$40.9
1994	1.8	31.5
1995	1.6	446.3
Total	3.9	518.7

The Department's industrial activities used this type of capital investment financing between fiscal year 1983 and 1989 under what was known as the asset capitalization program (ACP). In fiscal year 1990, however, Congress terminated the ACP and began to fund capital equipment through the procurement appropriation. This change, which lasted two fiscal years, was designed to give Congress greater oversight over capital equipment purchases. This was necessary because of significant implementation problems identified by the General Accounting Office, the service audit agencies, and the DOD Inspector General between 1986 and 1990.

The most significant problem identified was the DOD's industrial activities were not complying with procedures for justifying, reviewing, and approving capital projects. As a result, the activities were not adequately analyzing and validating the economic benefits for capital projects and assets were required which were of questionable value to their missions.

Even though Congress allowed the Department to fund capital investment purchases through depreciation charges (beginning in fiscal year 1992), it did so with the understanding that past problems would be resolved. In the committee report on H.R. 2401, the National Defense Authorization Act for Fiscal Year 1994 (H. Rept. 103-200), the committee directed the Comptroller General to identify the extent to which the Department carries out the DBOF capital budget it presents to the Congress. The Comptroller General was also tasked to determine if the capital projects presented in the budget are sufficiently justified and supported by an adequate economic analysis.

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The GAO's preliminary results (which were presented in testimony and briefed to the committee in April 1994) show that very little has changed since the days of the ACP. Capital projects are not linked to activities' long-range strategic modernization plans, are not sufficient justified or supported by economic evaluation data, and are not evaluated through a post-investment analysis.

Most disturbing, is that the seven DBOF activities the GAO examined will carry out less than 50 percent of the projects that were included in the fiscal year 1994 capital budget. Fiscal year 1993 experience is even more disturbing. Less than 20 percent of the projects included in the 1993 capital budget will be carried out by the same seven activities. Based on this record, it is clear that the Department has not met its commitment-when DBOF created-to develop a sound capital investment management program.

INFORMATION ON DBOF CAPITAL ASSETS IS NOT ACCURATE

The committee notes that Department of Defense managers are not receiving accurate financial data on the annual \$1.6 billion capital asset program. The monthly financial report does not provide accurate capital asset information on the amount of: (1) revenue earmarked for purchases of capital assets; (2) capital asset obligations; and (3) capital asset outlays. Because the financial information is not accurate, it is extremely difficult, if not impossible, for DOD management and Congress to ascertain if the capital asset program is being executed in accordance with the capital asset budget.

The committee understands that the Department is in the process of developing comprehensive policies and procedures to guide all DBOF activities, including the selection and funding of capital projects. The committee is encouraged by these actions. Nonetheless, the committee remains concerned by the problems that have been identified and about the increases in DOD infrastructure spending. Recognizing that it will be some time before new policies and procedures are completed and all DBOF activities are thoroughly trained in their use, the committee recommends a reduction in the Department's fiscal year 1995 capital budget from \$1.6 billion to \$1.12 billion.

The fiscal years 1992 and 1993 accounting and budgeting reports show that DBOF business areas only obligated about \$1.8 billion (58 percent) of the \$3.1 billion of the authority provided to them. In addition, the DBOF overview books indicate that the capital asset program is not being executed as intended. The April 1993 DBOF overview book showed a capital asset program of approximately \$2.1 billion for fiscal year 1993. However, the February 1994 overview book indicated that the capital asset program in fiscal year 1993 was \$1.5 billion, or about 71 percent of the planned capital asset expenditures. Further, the fiscal year 1995 capital asset program includes money to be spent: (1) at bases on the base closure list; and (2) for non-mandatory work on ADP systems that may be replaced in the next several years.

The committee expects the Secretary of Defense to take the necessary actions to ensure that the \$1.12 billion authorization is spent on the highest priority DBOF capital investment needs. The committee also expects that the Secretary to decide how to allocate the remaining \$1.22 billion among the services and defense agencies. The reduction will extend to fiscal year 1996 unless the Department convinces the committee that it has gained sufficient control over the DBOF capital budgeting process.

[In millions of dollars]

Service	Reduction
Army	\$60
Navy	190
Air Force	75
DOD	155

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Total

480

The committee is also concerned about the lack of oversight it has over the projects identified in the capital budget. In this regard, the committee directs the Secretary, to identify all fiscal year 1995 capital projects (by business area and activity) which have been canceled or deferred and will no longer be carried out in fiscal year 1995. This shall be an exhibit to the fiscal year 1996 capital budget and shall also identify the projects that have been substituted for the canceled and deferred projects, and explain the disposition of remaining funds, if any, resulting from the cancellations or deferrals.

Finally, the Secretary has not established a capital asset subaccount as required by the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484). The Act required that amounts charged for the depreciation of capital assets be credited to the subaccount. Two years is ample time for the Secretary to establish the subaccount. The Secretary's continued resistance to establishing the subaccount could lead Congress to reconsider its position on having the capital asset program in DBOF.

CONGRESSIONAL OVERSIGHT NEEDED OVER DBOF LOSSES

The Department currently estimates that, at the end of fiscal year 1994, DBOF will have approximately \$1.7 billion in accumulated operating losses. If DBOF does indeed incur a loss in fiscal year 1994, this will mark the third consecutive year that DBOF has had an operating loss. To recover these losses, DOD's pricing policies stipulate that prices are to be adjusted to recover prior year losses.

The committee agrees with the General Accounting Office that increasing prices to recover prior losses is inconsistent with a basic tenet of DBOF that prices should reflect the actual cost incurred in providing goods and services. Recovering past losses in this manner distorts DBOF's actual results of operations in a given year, diminishes the incentive for DBOF to operate efficiently, and makes it difficult to evaluate and monitor DBOF's status. In contrast, charging prices that reflect only the cost expected to be incurred for each year will enable the Department and Congress to determine the cost of that year's operations and to measure the performance of DBOF's activities for that period.

The committee is disturbed that the prices DBOF plans to charge its customers in fiscal year 1995 includes \$996 million in fiscal year 1992 losses. Last year, the Department increased the fiscal year 1994 prices that DBOF would charge its customers so that it could eliminate the fiscal year 1992 losses. Accordingly, the committee recommends a reduction in the O&M authorization of \$996 million and directs the Secretary of Defense to transfer a similar amount in cash from DBOF to the customers' O&M accounts.

[In millions of dollars]

Service	Reduction
Army	\$81
Navy	690
Air Force	84
DOD	141
Total	996

The committee recognizes that losses can occur and that there may be valid reasons for the losses. In the past, however, the Department has not adequately explained why the losses. For example, as part of the fiscal year 1995 budget presentation, the Department explained why DBOF incurred losses in fiscal year 1993. However, the Department did not explain why there were losses in fiscal year 1992 and offered no explanation for why losses are anticipated for fiscal year

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1994. Furthermore, the Department did not explain how some business areas were able to operate at a profit. Such information would be beneficial to the committee during its budget deliberations.

Accordingly, to regain congressional oversight over the operations of DBOF, the committee directs the Secretary of Defense to seek an appropriation to recover prior year losses. The Secretary shall initiate this action as part of the appropriation process commencing with the fiscal year 1996 budget request submitted to Congress.

HASC, p. 153-158

SOME DBOF MILESTONES NOT MET

The committee recognizes that the Department has made some progress in trying to fix the problems hindering DBOF. The committee also recognizes that the Department has yet to tackle the more difficult task of enhancing DBOF's policies, procedures, financial reports and systems. The September 1993 improvement plan marks the third plan that has been developed for improving the operations of DBOF. The Department has yet to accomplish the prescribed tasks within the established milestone dates. The Department cannot continue to develop elaborate plans that look good on paper, but cannot be successfully implemented.

The General Accounting Office reported that the Department has completed only 18 of the 44 planned tasks covering DBOF's policies, procedures, and systems that were scheduled to be completed by December 31, 1993. The tasks not completed include:

- (1) Developing policy guidance on management headquarters cost, military personnel cost, economic analysis for capital projects, and adjustments to financial reports; and
- (2) Improving the monthly financial report which provides information on revenue, costs, and profit/loss.

It is critical that these tasks be completed on time because many scheduled tasks are contingent upon the prompt completion of earlier tasks.

The following actions within the milestones prescribed by the plan will be important to the Department's progress in resolving DBOF's problems:

- (1) Complete all DBOF policies by December 31, 1994. These policies then need to be implemented in a uniform manner to help ensure that DBOF business areas operate with standard policies and procedures.
- (2) Improve the accuracy of the monthly financial reports that provide information on the profit/loss of each business area by December 31, 1994.
- (3) Select the systems to account for DBOF resources by September 30, 1994, and begin implementing these systems by December 31, 1994. The implementation of these systems, which is a long-term effort, will reduce the number of DBOF systems and serve as the foundation for the implementation of a standard integrated system to improve DBOF's operations. The Department will have to continue to rely on existing systems and reports in the near-term. Consequently, it is imperative that the Department pursue short-term efforts to improve the accuracy and reliability of the financial data.

The committee, as part of its continuing oversight of the Department's efforts to improve the operations of DBOF, will hold the Department accountable for the actions and tasks in the DBOF improvement plan. If the Department fails to meet the December 31, 1994 milestone date for the three tasks mentioned above, the Secretary of Defense is directed to immediately notify the congressional defense committees of the specific reasons why the milestones were not achieved, what actions are being taken to correct the situation, and the revised milestone dates for the completion of the tasks.

GAO'S CONTINUED OVERSIGHT OF DBOF

Over the past three years, the General Accounting Office has provided invaluable service to the committee in its efforts to monitor and improve the operations of DBOF. The GAO has identified a myriad of problems that the Department must overcome to effectively implement DBOF in a business-like manner. As GAO has pointed out, the Department faces a critical checkpoint in December 1994. According to the Department's improvement plan, it will have: (1) completed all DBOF

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policies; (2) selected the systems to account for DBOF resources and begin implementing these systems; and (3) improved the accuracy of the monthly financial reports that provide information on the profit/loss of each business area by December 31, 1994.

The committee directs the GAO to monitor and evaluate the Department's progress in meeting the December 31 milestone, and to report to the congressional defense committees not later than March 31, 1995, on DOD's efforts. In performing its evaluation, GAO should pay particular attention to the Department's efforts to enhance its financial management systems. Achieving the fund's objectives hinges on standardized and modernized finance and accounting systems.

CIM INITIATIVE HAS FAILED TO PRODUCE MEANINGFUL RESULTS

The Corporate Information Management (CIM) initiative has been in existence for four years, and thus far DOD's accomplishments have been disappointing. Initiatives of this complexity and magnitude cannot succeed without a well-conceived strategic plan. That plan should clearly articulate a vision, goals, responsibilities, target dates, performance measures and describe how the initiative fits with other organizational priorities. The General Accounting Office stated in 1991 that the Department had to develop an overall strategy for achieving the short-term and long-term CIM goals.

The Department has failed to develop such a comprehensive plan. As a result, no clear or consistent understanding of CIM exists and the initiative has not been effectively implemented. The Department's approach to CIM can be found in a number of documents, including a CIM implementation plan, draft guidance on functional process improvement, and a draft enterprise model for defining and integrating functions. Although the documents contain several aspects of an acceptable strategic plan, including organizational structure and milestones, none represent an overall CIM strategy. They do not relate technical and management improvement efforts to each other.

DOD IS NOT AWARE OF SAVINGS RESULTING FROM CIM

The Department is not currently tracking savings derived from the CIM. The GAO has reported on the difficulty of validating and tracking savings resulting from initiatives, and from tracking other factors such as reduced workloads and changes in force structure. However, without an assessment of costs and benefits, the large scale commitment of DOD resources to CIM is questionable. Furthermore, the committee finds it incomprehensible that the Department spends over \$9 billion annually on automated data processing, but it cannot identify what portion is attributable to CIM.

COMMITTEE CONCERNED ABOUT DOD'S INABILITY TO RESOLVE ITS FINANCIAL MANAGEMENT DIFFICULTIES

The Department has had serious financial management problems for decades. The financial management problems discussed above represent a few of the problems the Department has been facing for years. Correcting this situation will be a daunting and formidable challenge. Strong, sustained support and commitment by the Department's top leadership and managers is imperative.

The Department's recent recognition of its financial management problems is encouraging. However, translating this acknowledgement into needed actions will require not only sustained management commitment, but also the requisite investment in people and systems. Cost awareness and reliable financial reporting must become ingrained in DOD's management culture. The committee's continuing oversight will play an integral part in helping the Department focus on the critical financial management areas that need improvement. Such oversight will continue to be an essential element in assuring the prompt, effective resolution of the fundamental financial management weaknesses facing the Department of Defense.

DBOF CASH ACCOUNTABILITY

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This committee is concerned that, although the Defense Business Operations Fund (DBOF) collects and disburses about \$77 billion each year, the Anti-deficiency Act (section 1341 of title 31, United States Code) is being violated by the Office of the Secretary of Defense (Comptroller), by the military services and by DOD components. Moreover, these entities are not being held accountable for their actions. Because the military services and DOD components manage the DBOF business areas, such as supply management and depot maintenance, these entities must be held accountable for shortages in their respective DBOF business areas.

HASC, p. 159-161 (O&M)

INFORMATION SYSTEMS

Since 1989, the Department of Defense has had the goal of streamlining its business processes and of standardizing automated systems and data processing. Over the same period, the Department has spent over \$54 billion to maintain and improve its technology infrastructure to attain this goal.

NO DEMONSTRATED RETURN

The Department is requesting \$9.782 billion for fiscal year 1995 for information systems. The committee is concerned that the Department has not achieved the significant service quality improvements, cost savings, and productivity gains that it expected given the large investment made over the last few years. Past and recent internal Department studies have also questioned the return on this investment and have questioned the internal controls in place to manage this investment. Moreover, despite such a huge investment, efforts to improve performance and reduce cost are limited by the lack of information or the poor use of acquired information technology.

In 1993, the Secretary of Defense announced an initiative to accelerate the selection of migratory information systems in an effort to reduce the total number of systems throughout the Department. As of April 1994, this initiative has not progressed as anticipated. Accordingly, the committee requests that the Secretary provide the names of the migratory systems selected by functional/business area; the names of the systems that will be migrated and eliminated; the cost of migration and conversion; and whether or not these migration system selection decisions were based on criteria similar to Department directives on performing a functional economic analysis. The Secretary shall provide this information to the congressional defense committees no later than December 31, 1994.

In 1994, the Department of Defense approved an initiative to develop a series of prototypes to integrate key components of the Defense Information Infrastructure at a limited number of selected sites. This initiative represents a profound change in the practice of providing the technology infrastructure to the Department's users.

In 1994, the Department also established a management structure to accelerate the implementation of migration systems, data standards, and process improvement. This management structure includes an executive board and a corporate management council. The committee is encouraged by the improvement of authority and accountability. This will ensure that senior management provides the oversight and the emphasis that this is an important effort to the Department as well as to the committee.

Based on the absence of plans and the uncertainties identified in internal and external studies, namely the General Accounting Office's, the committee has concerns about the current justification for the information technology budget request. Therefore, the committee recommends a legislative provision (sec. 370) that would provide that not more than \$2.575 billion of the \$3.255 billion requested shall be made available for new development and modernization of automated data processing programs for the Department of Defense. The provision also would prohibit the Secretary of Defense from obligating more than \$2 billion for new development or modernization until the Secretary takes a number of actions.

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The Department of Defense is reviewing the management systems for the Defense Business Operations Fund. The budget request included \$83 million for this purpose and for interim systems to support this effort. The committee recommends that this funding be withheld until it is fully justified by the Defense Finance and Accounting Service and the DOD executive board evaluates this investment.

DEPOT MAINTENANCE AUTOMATED DATA PROCESSING

The Joint Logistics Systems Center (JLSC) has selected its migratory system. Plans include establishing a prototype at Warner-Robins, Georgia without fully implementing the system at Hill Air Force Base in Ogden, Utah.

The committee questions why a migratory system prototype has been selected before a study was conducted to determine the best prototype system. Accordingly, the committee directs the Secretary of Defense to complete a study before any decision to prototype is made. The Secretary is further directed to provide the congressional defense committees with the results of the study.

Finally, the committee directs the Comptroller General to review this study and to provide an opinion as to the soundness of the study's conclusions and the risks associated with any recommendation to proceed. The committee also directs the Secretary to provide the committees with a justification for performing the prototype at Warner-Robins Air Force Base.

MANAGING THE DEPOT MAINTENANCE AND MATERIAL MANAGEMENT CIM

The committee understands that there is a proposal to change the management organization that manages the depot maintenance and material management system. Over \$1 billion has been obligated on three large systems, Requirements Data Base (RDB), Stock Control System (SCS), and Depot Maintenance Management Information System (DMMIS).

The committee recommends that the Secretary of Defense set forth this strategy based on a sound economic justification. This strategy should address the functional requirements of the services prior to the selection and conversion to any migration system. Until these requirements are met for each logistical migration system, the committee recommends withholding the authorization to obligate any new funds.

HASC, p. 161-163

DEPOT MAINTENANCE ISSUES
OVERVIEW

Over the past several years, there has been a general disagreement between Congress and the Department of Defense about the correct depot maintenance strategy. During the Cold War, there was sufficient workload to sustain the public and private industrial facilities. Now, a drastically reduced force structure has created excess capacity within the depot maintenance system. This has caused industry and the public facilities to compete for the remaining depot workload. Until a depot maintenance policy is formulated, the future of thousands of government and industry workers is at stake. Moreover, the policy will influence the military's ability to support forces in the next crisis.

Congress and the Department have recognized the need to establish an affordable and effective depot maintenance policy, and have taken several steps to develop a depot maintenance strategy. The 1993 Joint Chiefs of Staff (JCS) Depot Maintenance Consolidation Study focused on public sector issues and depot management. The study recommended that all of the military depots should be placed under the management of the JCS. Congress did not agree with this recommendation and created a Task Force on Depot Maintenance Management to examine all issues concerning depot maintenance.

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The Task Force recommended changing the requirement in current law that 60 percent of depot maintenance be performed by government depots. Department of Defense officials recently testified that the public sector depots have increased their share of depot maintenance workload from 67 percent in 1990 to 71 percent in 1993. General Accounting Office representatives, however, have testified that these statistics do not accurately portray the level of funding going to the private sector. When the cost of raw materials and parts purchased from the private sector by government depots is included, the GAO noted that at least half of the depot maintenance funding currently goes to the private sector.

The Task Force also endorsed the current DOD definition of core depot capability that must be retained in the public sector. The definition states: "Depot maintenance core is the capability maintained within organic Defense depots to meet readiness and sustainability requirements of the weapons systems that support the JCS contingency scenario(s)." The committee believes that this core definition is neither quantifiable nor qualitative.

The Task Force also recommended that public-private competition be eliminated in favor of a policy that would transfer workload above core to private industry without having to compete. The GAO testified that the transfer of non-core workload to the private sector could conflict with the longstanding policy of awarding work to the most cost-effective provider.

The Task Force also stated that the service Secretaries' responsibilities that are codified in title 10, United States Code, require depot core requirements along strict service lines. In transmitting the Task Force's report to Congress the Deputy Assistant Secretary of Defense noted that core will be a DOD-wide concept, thus providing greater flexibility and eliminating duplicate resources.

The committee notes, however, that during recent testimony before the committee, the Deputy Under Secretary of Defense (Logistics) referred to the same title 10 responsibilities and suggested that core service depots may be required. The GAO testified that title 10 does not require the retention of workload in a service-specific depot. The GAO noted that a DOD-wide core definition encourages the potential benefits of increased consolidations and interservicing within the DOD depot maintenance system.

After all of these lengthy studies and reports, the committee continues to believe that there is still no acceptable national depot policy that will provide a secure and accountable depot maintenance capability for the future. The committee believes that maintaining the "capability" to perform workload may not be sufficient to sustain the minimum amount of workload that would provide for an adequate military industrial base necessary to support the current threats outlined in the Bottom-Up Review. In addition, without any public/private competition for above core workload, there is no incentive for industry to reduce costs. Further, under the current definition of core, there seems to be no way for Congress to assess if the Department is abiding by its own rules, and no way to protect the public depot maintenance system that Congress considers essential.

The committee strongly believes that before actions are taken that will affect the capability of the United States to quickly and decisively fight and win any future conflicts, we must firmly establish an effective and efficient DOD depot maintenance policy that will ensure success.

HASC, p. 163-165

AUDITING AND INSPECTOR GENERAL ISSUES
OFFICE OF THE INSPECTOR GENERAL

The office of the Department of Defense Inspector General (DODIG) plays a major role in congressional oversight of defense spending. Since the DODIG was created in 1982, it has produced audit savings and criminal restitutions totaling \$14.7 billion. This represents an average 14-to-1 of return. In other words, for each dollar invested in the office of the DODIG, it has produced \$14 in return.

The office of the DODIG has also served as an able and independent source of counsel to senior DOD management and the Congress on various issues. Recent examples are: comments on procurement reform legislative proposals; reviews and advice on financial management problems and internal controls; reviews and advice on major weapon systems, including the C-17 Globemaster III; and special reviews and investigations when requested, as in the case of the Tailhook investigation and the reinvestigations into the disputed suicides of military service members.

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In fiscal year 1994, Congress recognized DODIG's expanded mission and increased its budget by \$10 million above the requested amount. The fiscal year 1995 budget request, however, does not annualize the increase. As a result, the level of audit and investigative efforts that were endorsed and funded by Congress in fiscal year 1994 would be cut back significantly in fiscal year 1995.

Accordingly, the committee recommends an authorization of \$148 million, a \$15 million increase above the requested amount. This would annualize the fiscal year 1994 increase and would provide another \$5 million of additional resources for DODIG audit and investigative functions.

AUDITING

In the committee report on H.R. 2401, the National Defense Authorization Act for Fiscal Year 1994 (H. Rept. 103-200), the committee expressed its support for continuing a robust audit effort. The committee also noted the increased audit responsibilities that have been placed on the DODIG by the Chief Financial Officers Act and noted the migration of various functions from the military departments to defense agencies.

Congressionally requested audits have increased from 16 in fiscal year 1993 to 28 in the first half of fiscal year 1994. The Base Closure and Realignment (BRAC) Act requires the DODIG to review the cost of construction projects at realigning bases when there is significant growth from the cost estimates provided to the BRAC Commission. This requirement, as well as the DODIG's involvement in reviewing the internal controls in the BRAC process, will necessitate a heavy commitment of audit resources in fiscal years 1994 and 1995. These are examples of other workload increases that have been placed on the DODIG:

- (1) 15 auditor workyears to support criminal investigators or Federal government lawyers pursuing litigation;
- (2) The multi-national F-16 improvement project;
- (3) Investigation of Anti-deficiency Act problems; and
- (4) OMB-levied audit requirements on the DODIG relating to value engineering and contractor conflicts of interest.

These increased requirements total about 600 workyears, nearly doubling the 642 workyear level approved in 1989.

In fiscal year 1993 and the first six months of fiscal year 1994, the DODIG auditors identified \$8.9 billion of potential savings to the Department of Defense. Nonetheless, the fiscal year 1995 budget request ignored the committee's actions last year because it cut the DODIG audit billets from 745 to 606, a 19 percent reduction. This would aggravate the severe DOD management problems in crucial areas. Therefore, the committee recommends restoration of staffing to the fiscal year 1994 level approved by Congress.

HASC, p. 165-166

COST COMPARISON STUDIES FOR ADVISORY AND ASSISTANCE SERVICES

The committee recommends a provision (sec. 372) that would require the Secretary of Defense to establish procedures to require DOD managers to conduct a standardized cost comparison analysis of using in-house Federal civilian employees in lieu of private contractors before contracting for advisory and assistance services. The provision also would require the Secretary to publish guidelines on how to exempt certain activities from the cost comparison analysis based on non-cost factors and to establish procedures for review of exempted contracts to ensure they are justified and documented.

The committee notes that the General Accounting Office recently reported on a series of studies conducted by the Departments of Energy and Defense that demonstrated considerable savings could be achieved by having some advisory and assistance services performed by in-house Federal civilian employees in lieu of contracts.

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The committee suggests that the cost comparison analysis procedures that would be required by the provision be patterned after the procedures codified in the Cost Comparison Handbook that accompanies Office of Management and Budget Circular A-76. The committee recognizes that the evaluation procedures must also require consideration of non-cost factors to include the quality of service required, availability of Federal employees, the duration and recurring nature of the services needed, and the consistency of workload.

HASC, p. 170-171

SPACE PROGRAMS
U.S. SPACE COMMAND

In January 1994, the U.S. Space Command issued a roles and missions study which discussed the possibility of consolidating the Air Force and Navy satellite control networks. The report stated the command is performing a more detailed analysis to determine the merits of this proposal.

Accordingly, the committee recommends that \$50 million in operation and maintenance funding be authorized, but restricted from obligation, until the U.S. Space Command completes its satellite control study.

SPACE TRAINING

The committee is concerned that the services' space programs are not engaging in a joint effort to support warfighters. The Air Force Space Command (with its planned Space Warfare Center), Naval Space Command (with its Space Support Teams), and the Army Space Command (with its Space Exploitation and Demonstration program) represent a stovepipe approach to the application of space to warfighting space applications. These efforts could be integrated into the U.S. Space Command's Theater Space Support Team effort to more effectively support unified and component combatant commands.

Accordingly, the committee requests the Secretary of Defense to report on the cost associated with the individual services' space training efforts for fiscal years 1996-2000; how these efforts could be consolidated to efficiently meet the needs of joint warfighters; and the cost savings that could be achieved from consolidation.

SPACE LAUNCH INFRASTRUCTURE INVESTMENT PLAN

The infrastructure at Cape Canaveral Air Force Station and Vandenberg Air Force Base is in need of repair. The Air Force's Space Launch Infrastructure Investment Plan originally identified requirements for over \$2 billion in improvements. However, that plan is obsolete because it was based on the assumption that a new launch vehicle would become operational in 2004—a decision that has yet to be made.

The committee is interested in ways to increase the efficiency of launch operations without making high-cost infrastructure investments. The committee requests the Secretary of Defense to identify such efficiencies, in conjunction with the Space Launch Modernization Study, and report the findings.

INCONSISTENT CHARGES TO COMMERCIAL USERS

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The Air Force is using inconsistent practices to charge commercial users of national launch facilities. The Air Force and the National Aeronautical and Space Administration (NASA) have different views on how to interpret the regulations on direct costs for billing purposes. To ensure correct and uniform application of charges, the committee requests the Air Force to assess this problem in conjunction with NASA. This assessment should be provided to the committee by April 1, 1995.

HASC, p. 185-186 (O&M)

LEGISLATIVE PROVISIONS
SECTION 304-FUNDS FOR DEPOT-LEVEL MAINTENANCE AND REPAIR WORK

This section would add \$600,000,000 to the budget request for the performance of depot-level maintenance and repair work. The provision also would limit to 40 percent the amount available for the performance of depot-level maintenance and repair work by non-Federal government employees.

HASC, p. 225

SECTION 321-FINDINGS

This section would establish findings of Congress concerning depot-level activities of the Department of Defense.

SECTION 322-MODIFICATION OF LIMITATION ON PERFORMANCE OF DEPOT-LEVEL MAINTENANCE

This section would revise the current percentage definition codified in section 2466 of Title 10, United States Code, for workloads that may be performed by non-Federal government personnel to not more than 40 percent of the funds made available in a fiscal year to a military department or a Defense Agency for depot-level maintenance and repair.

SECTION 323-LIMITATION ON THE PERFORMANCE OF DEPOT-LEVEL MAINTENANCE OF MATERIEL FOR NEW WEAPON SYSTEMS

This section would require that, within five years after the initial delivery of a weapon system to the Department of Defense not less than 60 percent of the depot-level maintenance of the weapon system must be performed by employees of the Department of Defense.

SECTION 324-AUDITS TO MONITOR COST GROWTH OF CONTRACTS TO PERFORM DEPOT-LEVEL MAINTENANCE AND REPAIR

This section would require the Secretary of Defense to conduct an audit of each contract entered into for the performance of depot-level maintenance and repair to monitor the costs incurred by the contractor.

SECTION 325-CONSIDERATION OF COSTS OF CLOSING DEPARTMENT OF DEFENSE DEPOTS IN CERTAIN COST COMPARISONS

This section would require that the cost of closing Department of Defense depots be included in any comparison conducted of the cost of performing depot-level maintenance and repair work by non-Federal Government personnel with the cost of performing such work by employees of the Department of Defense.

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SECTION 326-AUTHORITY FOR DEPOT-LEVEL ACTIVITIES OF THE DEPARTMENT OF DEFENSE TO COMPETE FOR MAINTENANCE AND REPAIR WORKLOADS OF OTHER FEDERAL AGENCIES

This section would allow the Department of Defense to compete for the depot-level maintenance and repair workload of other Federal agencies.

SECTION 327-AUTHORITY OF DEPOTS TO PROVIDE SERVICES OUTSIDE OF THE DEPARTMENT OF DEFENSE

This section would provide the Department of Defense with the authority to lease excess depot-level equipment and facilities on a reimbursable and non-interference basis.

SECTION 328-MAINTENANCE OF SUFFICIENT DEPOT FACILITIES, ACTIVITIES AND EMPLOYEES OF THE DEPARTMENT OF DEFENSE

This section would require the Secretary of Defense to maintain sufficient depot-level activities and facilities to carry out all provisions in title III of the bill.

HASC, p. 225-6

SECTION 341-OVERSIGHT OF DEFENSE BUSINESS OPERATIONS FUND

This section would extend the authority to operate the Defense Business Operations Fund and make other changes affecting the transfer, billing, use, and accumulation of funds.

SECTION 342-REVIEW BY COMPTROLLER GENERAL OF CHARGES IMPOSED BY DEFENSE BUSINESS OPERATIONS FUND

This section would require a review by the Comptroller General of the United States of the charges for goods and services provided by the Defense Business Operations Fund.

HASC, p. 227

SECTION 370-AUTOMATED DATA PROCESSING PROGRAMS OF THE DEPARTMENT OF DEFENSE

This section would limit the amount available to the Department of Defense for new development and modernization of automated data processing programs to \$2,700,000,000 for fiscal year 1995. The section would further restrict new development and modernization until several determinations are made.

SECTION 371-REVIEW BY DEFENSE INSPECTOR GENERAL OF COST GROWTH IN CERTAIN CONTRACTS

This section would require the Department of Defense Inspector General to review not less than 20 percent of existing contracts for the performance of commercial activities which resulted from a cost comparison study conducted by the Department of Defense under OMB Circular A-76.

SECTION 372-COST COMPARISON STUDIES FOR CONTRACTS FOR ADVISORY AND ASSISTANCE SERVICES

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This section would require that, before the Secretary of Defense can enter into a contract for the performance of advisory and assistance services, the Secretary would be required to compare the cost of having the services performed by DOD personnel with the cost of having contractor personnel perform the services.

SECTION 373-REQUIREMENT AND PLAN FOR CONVERTING PERFORMANCE OF CERTAIN POSITIONS TO PERFORMANCE BY DEPARTMENT
OF DEFENSE EMPLOYEES

This section would require the Secretary of Defense to convert 10,000 military positions to Federal civilian employee positions each year during fiscal years 1995, and 1996 and 1997.

HASC, p. 228-229

TITLE VIII-ACQUISITION POLICY, ACQUISITION MANAGEMENT, AND RELATED MATTERS
SUBTITLE A-ACQUISITION ASSISTANCE PROGRAMS
SECTION 801-PROCUREMENT TECHNICAL ASSISTANCE PROGRAM

Section 801 would reauthorize the Procurement Technical Assistance (PTA) Cooperative Agreement Program at a funding level of \$12 million for fiscal year 1995.

Chapter 142 of title 10, United States Code, authorizes the Department of Defense to enter into cooperative agreements to provide partial funding for PTA centers, sponsored by state and local governments and non-profit organizations, to assist small firms in obtaining contracts with the Department of Defense and other government agencies.

SUBTITLE B-ACQUISITION IMPROVEMENTS
OVERVIEW

The committee recognizes that the dramatic reductions in defense spending urgently requires that the defense acquisition system of the future achieve better management by fewer people with far fewer tax dollars. Such action is particularly critical to the defense sector, where cutbacks are rapidly contracting the industrial base and where the cost of maintaining a dedicated defense industrial sector is an increasingly unaffordable option.

Toward this end, in 1990 Congress created the "Department of Defense Advisory Panel on Streamlining and Codifying Acquisition Laws," commonly known as the Section 800 panel (section 800 of the National Defense Authorization Act for Fiscal Year 1991, Public Law 101-510). Under the auspices of the Defense Systems Management College, the 13-member panel, made up of government and private sector representatives, reviewed over 600 statutes related to defense procurement and issued its report and recommendations in January 1993.

Since the issuance of the Section 800 recommendations, the committee has embraced the challenge of reforming the defense acquisition system through the careful and exhaustive review of the multitude of proposals generated toward this common goal. The provisions in this title of the bill reflect a few of the many recommendations made by the Section 800 panel.

PART I-GENERAL IMPROVEMENTS
SECTION 811-CONGRESSIONAL DEFENSE PROCUREMENT POLICY

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This provision would amend section 2301 of title 10, United States Code, to revise congressional defense procurement policy. The new policy would emphasize a preference for the procurement of commercial items.

SECTION 812-REPEAL OF REQUIREMENT RELATING TO PRODUCTION SPECIAL TOOLING AND PRODUCTION SPECIAL TEST EQUIPMENT

This provision would repeal section 2329 of title 10, United States Code, because it is obsolete.

SECTION 813-REPEAL OF VOUCHERING PROCEDURES SECTION

This provision would repeal section 2355 of title 10, United States Code, which imposes unique vouchers requirements on the Department of Defense.

SECTION 814-CLARIFICATION OF PROVISION RELATING TO QUALITY CONTROL OF CERTAIN SPARE PARTS

This provision would amend section 2383 of title 10, United States Code, to clarify the special qualification requirements for contractors on spare parts contracts.

SECTION 815-CONTRACTOR GUARANTEES REGARDING WEAPON SYSTEMS

This provision would amend section 2403 of title 10, United States Code, to require the Department of Defense to establish guidelines and procedures for negotiating and administering contractor warranties.

PART II-MAJOR SYSTEMS STATUTES

SECTION 821-WEAPON DEVELOPMENT AND PROCUREMENT SCHEDULES

This provision would amend section 2431 of title 10, United States Code, to conform the delivery of budget justification and other budget documents 45 days after the President's budget is submitted.

SECTION 822-SELECTED ACQUISITION REPORT REQUIREMENT

This provision would amend section 2432 of title 10, United States Code, to eliminate several selected acquisition report (SAR) reporting requirements. It also would streamline the SAR by eliminating extraneous data and by redefining all budgetary baselines to be consistent with a single program baseline description found in section 825 of this bill.

SECTION 823-UNIT COST REPORT REQUIREMENT

This provision would amend section 2433 of title 10, United States Code, to streamline the unit cost report (UCR). The amendment would eliminate extraneous data and would conform all baselines associated with the UCR to be consistent with a single program baseline description found in section 825 of this bill.

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SECTION 824-REQUIREMENT FOR INDEPENDENT COST ESTIMATES AND MANPOWER ESTIMATES BEFORE DEVELOPMENT OR PRODUCTION

This provision would amend section 2434 of title 10, United States Code, to modify requirements for independent cost estimates and manpower estimates.

SECTION 825-BASELINE DESCRIPTION

This provision would amend section 2435 of title 10, United States Code, to streamline requirements for program baseline descriptions and deviation reporting. Although these modifications provide the Department with added flexibility, the committee expects the Department to continue establishing program baselines and providing essential program cost information.

SECTION 826-REPEAL OF REQUIREMENT FOR COMPETITIVE PROTOTYPING IN MAJOR PROGRAMS

This provision would repeal section 2438 of title 10, United States Code, which requires competitive prototyping in major programs. The committee expects the Department to continue considering competitive prototyping as an option in the acquisition planning process and to use competitive prototype strategies where appropriate.

SECTION 827-REPEAL OF REQUIREMENT FOR COMPETITIVE ALTERNATIVE SOURCES IN MAJOR PROGRAMS

This provision would repeal section 2439 of title 10, United States Code, which requires competitive alternative sources in major programs. The committee expects the Department to continue considering competitive alternative sources as an option in the acquisition planning process and to use competitive alternative sources where appropriate.

PART III-TESTING STATUTES
SECTION 831-AUTHORIZATION OF LESS THAN FULL-UP TESTING

This provision would amend section 2366 of title 10, United States Code, to modify requirements for survivability and lethality testing. This section would allow a waiver for less than full-up testing if the Secretary of defense certifies to Congress that such testing would be unreasonably expensive and impractical.

SECTION 833-LIMITATION ON QUANTITIES TO BE PROCURED FOR LOW-RATE INITIAL PRODUCTION

This provision would amend section 2400 of title 10, United States Code, to provide limits on the number of articles that could be procured under low-rate initial production within the engineering and manufacturing development phase of the acquisition cycles.

SECTION 832-OPERATIONAL TEST AND EVALUATION OF DEFENSE ACQUISITION PROGRAMS

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This provision would amend section 2399 of title 10, United States Code, to authorize the Secretary of Defense to use alternative operational test and evaluation procedures if the Secretary certifies to Congress that normal testing procedures are too costly or impractical.

PART IV-CIVIL RESERVE AIR FLEET
SECTIONS 841 TO 843

These provisions would amend section 9511 of title 10, United States Code, to streamline and consolidate existing law on the civil reserve air fleet.

PART V-MISCELLANEOUS
SECTION 851-EXTENSION TO DEPARTMENT OF DEFENSE GENERALLY OF PROVISION RELATING TO MANUFACTURE AT FACTORIES AND
ARSENALS

This provision would consolidate existing statutes relating to DOD factories and arsenals and would repeal superseded statutes.

SECTION 852-REGULATIONS ON PROCUREMENT, PRODUCTION WAREHOUSING, AND SUPPLY DISTRIBUTION FUNCTIONS

This provision would amend section 2202 of title 10, United States Code, regarding production, warehousing, and distribution of supplies to delete unnecessary and redundant language.

SECTION 853-REPEAL OF REQUIREMENTS REGARDING PRODUCT EVALUATION ACTIVITIES

This provision would repeal section 2369 of title 10, United States Code, which is an obsolete provision regarding product evaluation activities.

SECTION 854-CODIFICATION AND REVISION OF LIMITATION ON LEASE OF VESSELS, AIRCRAFT AND VEHICLES

This provision would amend chapter 141 of title 10, United States Code, to codify a provision limiting the lease of vessels, aircraft, and vehicles by the Department of Defense.

SECTION 855-REPEAL OF APPLICATION OF PUBLIC CONTRACTS ACT TO CERTAIN NAVAL VESSEL CONTRACTS

This provision would repeal section 7299 of title 10, United States Code, which is an obsolete provision relating to the application of the Public Contracts Act to naval vessels.

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SECTION 856-CONSOLIDATION OF LIMITATIONS ON PROCUREMENT OF GOOD OTHER THAN AMERICAN GOODS

This provision would amend section 2534 of title 10, United States Code, to consolidate miscellaneous limitations and waiver provisions on the procurement of foreign goods.

SECTION 857-DEPARTMENT OF DEFENSE ACQUISITION OF INTELLECTUAL PROPERTY RIGHTS

This provision would amend section 2386 of title 10, United States Code, to revise the authority of the military departments to acquire technical data and computer software.

SECTION 858-DEPARTMENT OF DEFENSE REVIEW OF ANTITRUST CASES WITH NATIONAL SECURITY IMPLICATIONS

This provision would amend chapter 148 of title 10, United States Code, to require the Secretary of Defense to assess the implications of mergers and acquisitions involving defense contractors, including critical subcontractors, on the national technology and industrial base. The Secretary would be further required to communicate the results of this assessment to the Attorney General and Federal Trade Commission where it demonstrates an appreciable effect on the national technology and industrial base.

SUBTITLE C-OTHER MATTERS

SECTION 871-ENVIRONMENTAL CONSEQUENCE ANALYSIS OF MAJOR DEFENSE ACQUISITION PROGRAMS

This section would require the Secretary of Defense to conduct an analysis of the life-cycle environmental costs of a major defense acquisition program before it begins development. The section also would direct the Secretary to issue implementing guidance for this requirement and for overall compliance with the National Environmental Policy Act (NEPA) for major defense acquisition programs.

The committee expects such guidance to require the relevant service to prepare appropriate NEPA documentation before conceptual design review, if not earlier, but certainly at a point in the process where the incorporation of pollution prevention measures or other design elements that would reduce or eliminate environmental costs later in the system's life cycle could still be achieved. Finally, the section would direct the Department to establish a data base of all NEPA documentation prepared on major defense acquisition programs.

SECTION 872-AWARD OF CONTRACTS AND GRANTS ON THE BASIS OF COMPETITION

The committee is concerned about the growth in congressional earmarking and its impact on key defense programs. For example, over the past five years \$1 billion of congressionally earmarked activities have had a significant impact on the markup of DOD's manufacturing technology program (MANTECH) and the University Research Initiative (URI) program. Scarce dollars have been diverted away from traditional research, development, testing and evaluation activities to earmarked programs and projects. In tight budget times, earmarking at this level impairs the distribution of public money based on project merit and limits the Department's ability to direct its research and technology development activities.

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Therefore, the committee believes the Secretary of Defense needs clearer guidelines to interpret earmark legislation. The committee recommends amending section 2301 of title 10, United States Code, to define earmarked projects and to give the Secretary of Defense guidance on how to fund items of congressional interest through a competitive process.

ITEMS OF SPECIAL INTEREST

Teaming arrangements

The committee is aware that due to the manner in which the Department of Defense has implemented the small disadvantaged business (SDB) contracting goal program (commonly called the Section 1207 program) under section 2323, title 10, United States Code, compliance with the goal by acquisition programs involving contractor teams is not accurately estimated. The SDB program establishes a five percent goal for DOD contracts and subcontracts. However, when programs involve teams of contractors, the Department only counts toward a given program those subcontracts made to small disadvantaged businesses by the member of the team designated to serve as the prime contractor.

The committee believes that these arbitrary counting rules ignore the unique nature of contractor teaming arrangements and have no foundation in law. Therefore, the committee directs the Secretary of Defense to reevaluate the SDB counting methodology as it pertains to teamed contractors. The Secretary shall report to the Committees on Armed Services of the Senate and House of Representatives within 180 days of enactment of this bill what steps will be taken to address this problem.

Women-owned small businesses

The committee is concerned about the ability of women-owned small businesses to compete on an equal footing for Federal contracts, particularly defense contracts. Therefore, the committee directs the Comptroller General to review the accessibility of the government marketplace to women-owned businesses and the percentage of government contracts currently going to women-owned small businesses. The committee further directs the Comptroller General to make recommendations for improving participation for women-owned small business. The Comptroller shall issue a report to Congress on the findings and recommendations resulting from this review within one year after enactment of this bill.

Rotation of contracting officers

The Defense Acquisition Workforce Improvement Act (codified in chapter 87, title 10, United States Code) requires the Secretary of Defense to establish a policy encouraging the rotation, every five years, of members in the acquisition corps serving in critical acquisition positions. The committee is interested in exploring whether there is merit in extending this rotation policy to contracting officers at all levels. As with the current rotation policy, the objective would be to ensure opportunities for career broadening assignments and to infuse new ideas into acquisition positions.

Therefore, the committee directs the Secretary of Defense to conduct an assessment on the feasibility and desirability of extending the rotation policy required by 1734(e), title 10, United States Code, to contracting officers at all levels. Not later than one year after enactment of this bill, the Secretary shall provide a report to the Committees on Armed Services in the Senate and House of Representatives describing the results of such an assessment.

Should-cost analysis

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Every buyer of a product wants to know the worth of an item. For the Department of Defense, this translates into "should-cost" analysis, which is a specialized form of cost analysis. This analysis is put together by an integrated team of government contracting officials, including pricing, audit and engineering representatives. The committee believes that "should-cost" analysis can be an invaluable negotiation tool throughout the defense procurement system for weapons systems and spare or repair parts alike. For example, the Naval Supply Systems Command has established the Price Fighter Program which has achieved dramatic improvements in competition, pricing and quality. For that reason, the committee encourages the Department to develop uniform policy guidance on the use of "should-cost" analysis for its procurements throughout the services.

Open system computer architecture

The committee believes that maximum price/performance advantages can be achieved by utilization of open system computer software architectures over proprietary systems. It is essential to find methods to move older proprietary systems to open systems more rapidly. This will reduce maintenance costs and increase operational efficiency. The committee applauds the Department for its efforts in this area but believes that piecemeal contracting from site to site is too inefficient.

Therefore, the committee recommends that the Department review its contracting practices and look toward a more "omnibus" approach of its open system software requirements. Furthermore, the committee encourages the Secretary of Defense to establish uniform policies and standards in software acquisition and a software technology base. The committee also encourages the Secretary to: (1) transition software development into a dual-use technology; (2) promote software acquisition and life-cycle management; (3) support the software acquisition educational process; and (4) establish "centers of excellence." Such actions should provide the Department with a leadership role in the development of software acquisition into an engineering discipline.

HASC, p. 262-269

TITLE IX-DEPARTMENT OF DEFENSE ORGANIZATION AND MANAGEMENT

SECTION 906-RECLARIFICATION OF INDEPENDENT STATUS OF DIRECTOR OF OPERATIONAL TEST AND EVALUATION

This section would place the Office of Operational Testing & Evaluation (OT&E) under the Under Secretary of Defense (Comptroller) for administrative purposes. Since this office was created a decade ago, Congress has insisted OT&E remain independent of the Department's acquisition structure. This ensures that the director of OT&E can offer independent advice and judgment.

As part of the Department reorganization approved in title IX of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160), Congress acceded to a Department request (in section 907) that OT&E no longer be required to report directly, without intervening review or approval, to the Secretary of Defense. The Congress agreed to that change, but the conferees added directive statement of managers language ordering that the OT&E function be placed under the Comptroller. The intention was to assure that the OT&E remained separate and apart from the office of the Under Secretary of Defense (Acquisition and Technology).

The Department, however, has ignored that directive. Chart A2 (dated January 1994 and contained in Appendix A of the Secretary of Defense Annual Report to the President and the Congress, dated January 1994) shows the director of Operational Test & Evaluation among the offices reporting directly to the Under

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Secretary of Defense (Acquisition and Technology). In response, section 906 of this bill would override that reporting chain and codify the conferees' directive of last year.

HASC, p. 271-272

TITLE X-GENERAL PROVISIONS
SUBTITLE A-FINANCIAL MATTERS
SECTION 1001-TRANSFER AUTHORITY

Section 1001 would permit the transfer of amounts of authorizations made available in Division A of the bill for any fiscal year to any other authorization made available in Division A upon determination by the Secretary of Defense that such a transfer would be in the national interest. The provision would provide the authorization for reprogramming involving the transfer of authorization between amounts authorized as set out in bill language.

The authority to transfer for higher priority items than the items from which authorization was transferred and could not be used to provide authorization for an item that was denied authorization by the Congress. The Secretary of Defense would be required to notify Congress promptly of transfers. The total amount of transfers would be limited to \$2 billion. Historically, the transfer authority authorized has changed as follows:

FY8588-\$2.00 billion
FY8991-\$3.00 billion
FY92-\$2.25 billion
FY93-\$1.50 billion
FY94-\$2.00 billion

HASC, p. 272

SECTION 1003-INCORPORATION OF CLASSIFIED ANNEX

This section would provide the language required to incorporate the Classified Annex prepared by the Committee on Armed Services into the National Defense Authorization Act.

SECTION 1004-DATE FOR SUBMISSION OF FUTURE-YEARS MISSION BUDGET

Under current law, the Department's future years mission budget (FYMB) must be submitted to Congress at the same time as the President's budget proposal. The Department requires additional time after preparation of the President's budget to compile the FYMB, which is derived from the Future Years Defense Plan, which is derived from the President's budget. Therefore, this section would provide that the FYMB be submitted 30 days after the President's budget is submitted.

HASC, p. 272

SECTION 1032-COMMISSION ON ROLES AND MISSIONS OF THE ARMED FORCES

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This section would amend Subtitle E of Title IX of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160). That subtitle established a "Commission on Roles and Missions of the Armed Forces" with seven members. In reviewing candidates for commission membership, the Secretary of Defense found that the seven member restriction made it difficult to secure the diversity in experience and viewpoint he felt was important to the quality of commission's deliberations. This section would expand the membership to 10 members, as the Secretary requested.

SECTION 1033-PROHIBITION ON AUTHORIZATION OF PAYMENT OF COSTS UNDER DEFENSE CONTRACTS FOR RESTRUCTURING COSTS OF
A MERGER OR ACQUISITION

This section would address the policy of the Department of Defense with regard to the treatment of merger and acquisition costs that are allowable costs against government contracts. Recently, the Department of Defense issued a "clarification" stating that the Federal Acquisition Regulations (FARs) permitted "restructuring" costs to be an allowable cost recoverable by contractors. This clarification was issued as Martin Marietta was negotiating the acquisition of the General Dynamics' space division. At the committee's request, Department officials estimated the purchase price of the acquisition would be \$200 million, of which about \$60 million (or 30 percent) would be recoverable as restructuring costs.

The committee, however, found this to be a major policy change, not a mere clarification. In fact, the committee discovered that others in the Department viewed this in the same way. For example, a memorandum from the Commander of the Defense Contract Management Command (DCMC) stated, "* * * current novation agreement language in the Federal acquisition Regulation (FAR) prevents any increased costs on novated contracts. * * * Several contractors may contact your office to discuss a change to current FAR coverage on this issue."

The committee was also concerned that if this policy has long been in effect and required only a "clarification," then contractors involved in past mergers and acquisitions could seek to recover restructuring costs. Furthermore, the committee doubts the wisdom of the underlying policy-that the federal government ought to pay merger and acquisition costs in some circumstances. If the Administration believes such a major change in policy is justifiable, then it ought to come to the Congress and make its case.

Therefore, this section would prohibit the Secretary of Defense from authorizing payment of any restructuring costs associated with a merger or acquisition after May 4, 1994.

The committee informs the Department of Defense that it will hold hearings on any proposal the Administration wishes to make to alter this policy.

HASC, p. 273-274

TITLE XI-DEFENSE CONVERSION, REINVESTMENT, AND TRANSITION ASSISTANCE
OVERVIEW

The budget request contained \$3,401.8 million to support "Defense Reinvestment and Economic Growth Initiatives" in fiscal year 1995. This compares to \$3,316.2 million appropriated for these programs in fiscal year 1994.

Included in the request is \$2,147.7 million for "dual-use" technology programs, including \$625.0 million for Technology Reinvestment Project (TRP) and related activities. This compares to \$2,010.6 million appropriated in fiscal year 1994 for these activities.

The remainder of the request supports personnel assistance and community adjustment and assistance programs. The budget request increased funding for these programs from \$654.0 million to \$1,254.0 million. Much of this increase can be attributed to funding for separation pay and civilian health benefits; guard and reserve transition initiatives; and "troops to teachers" and "troops to cops" transition assistance programs.

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The committee recommends authorization of \$3,647.6 million to carry out the "Defense Reinvestment and Economic Growth Initiatives" program for fiscal year 1995. Of this amount, \$3,256.4 million requires authorization which is recommended. The table at the end of this section of the report reflects DOD's budget request for programs in this category funded by Title XI of the bill and the committee's recommendation.

The committee is pleased that the Department's budget request for "Defense Reinvestment and Economic Growth Initiatives" is generally reflective and responsive to the actions taken last year which emphasized the importance of economic security as a designated mission of the Department of Defense.

LEGISLATIVE PROVISIONS
SECTION 1101-SHORT TITLE

This section would cite this title as "The Defense Conversion, Reinvestment and Transition Assistance Amendments of 1994."

SECTION 1102-FUNDING OF DEFENSE CONVERSION, REINVESTMENT, AND TRANSITION ASSISTANCE PROGRAMS FOR FISCAL YEAR 1995

This section would authorize \$3,256.4 million for fiscal year 1995, to remain available until expended, to support those defense reinvestment and economic growth initiative programs identified in the Department's February 1, 1994 budget presentation and the committee's initiatives as indicated below.

This section also would define the programs that are included in the defense conversion, reinvestment and transition activities in the Department of Defense.

SUBTITLE A-DEFENSE TECHNOLOGY AND INDUSTRIAL BASE, DEFENSE REINVESTMENT, DEFENSE CONVERSION
SECTION 1111-FUNDING OF DEFENSE TECHNOLOGY REINVESTMENT PROGRAMS FOR FISCAL YEAR 1995

This section would authorize funding of defense technology reinvestment programs at \$771.6 million and specific Technology Reinvestment Project (TRP) program funding as follows:

[IN MILLIONS OF DOLLARS]

Dual-use critical technology partnerships	355.6
Commercial-military integration partnerships	50.0
Regional Technology Alliance Assistance	50.0
Advanced Manufacturing Technology partnerships	30.0
Defense Manufacturing Extension partnerships	15.0
Defense dual-use assistance extension	65.0
Defense manufacturing and engineering education	24.0
Total TRP	589.6

This section also would authorize \$30 million in support of the advanced materials synthesis and processing partnership program; \$35 million for the agile manufacturing/enterprise integration program; \$50 million for the Maritime Technology Program (MARITECH); and \$37 million for support of a Department of

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Defense/Department of Justice Dual-Use Technology Research and Development Center. Finally, the section would provide that funds authorized in the technology reinvestment programs (TRP) subsection of this provision for fiscal year 1995 could be available to support TRP projects selected in fiscal year 1994.

SECTION 1112-CLARIFICATION OF ELIGIBLE NON-DEPARTMENT OF DEFENSE PARTICIPANTS IN TECHNOLOGY REINVESTMENT PROGRAMS

This section would clarify the definition of eligible entities that can participate in the technology reinvestment programs to explicitly include labor organizations.

SECTION 1113-ADDITIONAL CRITERIA FOR LOAN GUARANTEES UNDER THE DEFENSE DUAL-USE ASSISTANCE EXTENSION PROGRAM

This section would establish defense worker retention as a condition of implementation of loan guarantee authority to support diversification or conversion of defense firms.

SECTION 1114-FINANCIAL COMMITMENT REQUIREMENTS FOR SMALL BUSINESS CONCERNS FOR PARTICIPATION IN TECHNOLOGY REINVESTMENT PROJECTS

This section would authorize the Secretary of Defense to permit a small business concern to obtain its anticipated partnership cost share within 90 days after its technology reinvestment program proposal had been selected for award.

SECTION 1115-CONDITIONS ON FUNDING OF DEFENSE TECHNOLOGY REINVESTMENT PROJECTS

This section would require the Secretary of Defense to ensure that the principal economic benefits and the job creation resulting from technology reinvestment projects (TRP) accrue to the U.S. economy. The section also would require that funds used to support TRP projects be provided only to projects selected using competitive procedures incorporating cost-sharing requirements of non-Federal Government participants.

HASC, p. 279-281

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HASC, p. 279-281

SUBTITLE D-ARMS INITIATIVE

SECTION 1141-EXTENSION OF ARMAMENT RETOOLING AND MANUFACTURING SUPPORT INITIATIVE

This section would extend the authority for fiscal year 1995 to carry out the Armament Retooling and Manufacturing Support (ARMS) Initiative established in section 195 of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484).

SUBTITLE E-OTHER MATTERS

SECTION 1151-CHANGES IN NOTICE REQUIREMENTS UPON PENDING OR ACTUAL TERMINATION OF DEFENSE PROGRAMS

This section would restore the notification requirements and procedures established by section 4471 of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484). The committee believes that timely notification of defense contract reductions and worker impact are essential to effective retraining and placement activities.

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ITEMS OF SPECIAL INTEREST
BUSINESS PLANNING ASSISTANCE AND SUPPORT FOR TECHNOLOGY CENTERS

The committee directs the Secretary of Defense to carry out at least two business development projects in support of technology centers located in one or a combination of all three of the following areas: communities which have been adversely affected by military base closures; areas in which the local economy has been adversely affected by changes in the use of national laboratories previously used for nuclear weapons testing and development; and areas in which the local economy has been heavily dependent on a defense contractor that is in the process of terminating a major defense contract or closing a major facility. The committee recommends that the Secretary utilize the Office of Economic Adjustment (OEA) and the Advanced Research Projects Agency (ARPA) in undertaking these projects.

The committee directs the Secretary to fund these projects out of the fiscal year 1995 "other initiatives" funding contained in the defense reinvestment and economic growth initiatives account at not more than \$2.5 million per project.

CAPITAL AVAILABILITY AND DEFENSE WORKER RETENTION

The committee believes that a greater effort must be made to connect technology reinvestment activities to high-wage job growth and defense worker retention. The committee also believes that existing defense conversion and diversification loan guarantee authorities must be implemented and strengthened to preserve small and medium-sized companies which are the backbone of the defense supplier base.

Accordingly, the committee recommended a provision (sec. 1113) that would make the loan guarantee authority codified in section 2524 of Title 10, United States Code, mandatory and its exercise conditioned upon the extent to which loans would support the retention of defense workers otherwise unemployed as the result of defense spending reductions.

The committee directs the Secretary of Defense to commence immediate discussions with the Secretary of Commerce, the Secretary of Labor and the Administrator of the Small Business Administration as well as labor organizations to implement this authority.

The committee notes that, while the loan guarantee authority is contained within a program that is part of the Technology Reinvestment Project (TRP), its exercise need not be conducted as part of TRP activities. The committee recommends \$50 million to support this effort in fiscal year 1995.

CENTER FOR DEFENSE AND LAW ENFORCEMENT TECHNOLOGY

The committee recently received testimony on the issue of defense technology and law enforcement. Department of Defense and Department of Justice officials have indicated a decision to formalize joint technology development efforts for both law enforcement activities and operations other than war. The committee supports this partnership in the nation's fight against crime. Section 1111(b)(2) of the bill would authorize \$37 million for initial funding (in fiscal year 1995) to support a Center for Defense and Law Enforcement Technology.

The types of assistance that would be provided by the Department of Defense to the Justice Department in undertaking this activity shall include, but not be limited to, the technology areas of concealed weapons detection; authorized-user-only handgun, or "safe gun" activities; gunfire localization information; less-than-lethal technologies to halt fleeing vehicles and restrain subjects armed with weapons other than firearms; development of personal status monitors; interactive simulation trainer; explosive ordnance detection and disposal; mobile sensor platforms; urban mapping and three dimensional scene generation; advanced sensor integration; and support for a national center to develop these technologies and make them available to state and local law enforcement authorities.

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CRISIS INTERVENTION AND SUPPORT SERVICES PILOT DEMONSTRATION PROJECTS

The committee directs the Secretary of Defense to carry out a demonstration project to establish not more than four regional crisis intervention and support services pilot demonstration projects to serve regions where two or more military facilities are scheduled for closure. The activities of the projects should include needs and capability assessments to identify the extent to which the base closure will impact the community, displaced workers and their families.

The committee recommends that the Secretary fund this program out of "other initiatives" funding contained in the fiscal year 1995 "defense reinvestment and economic growth initiatives" account at not more than \$500,000 per project.

TRP AND INTELLECTUAL PROPERTY

The committee notes that it is the general policy of the Technology Reinvestment Project (TRP) to negotiate intellectual property rights in "partnerships; so as to optimize the chances of successful commercialization. TRP policy provides that the Federal Government should avoid acquiring rights if that will impede commercialization. Foreign access to technology is scrutinized and, if deemed necessary, restricted. Board exposure of the technology among partnerships participants is encouraged. •

The Advanced Research Projects Agency (ARPA) can fully effectuate these policies because it has great flexibility to tailor patent and other intellectual property rights provisions under its "other transactions" authority. Other TRP agencies are to some degree constrained by their organic statutes; government-wide policies applicable to technology developments supported by contracts, grants, or cooperative agreements; or by agency policies developed years ago. The committee encourages the other DOD agencies participating in the TRP and the non-DOD agencies cooperating in the TRP to review their policies on intellectual property rights.

TRP PROGRAM COHESION

The committee strongly supports the Technology Reinvestment Project (TRP) and the Defense Technology Conversion Council (DTCC) chaired by the Advanced Research Projects Agency. However, the budget request for \$156.6 million to fund the Mentor Protege Program, the Federal defense laboratory diversification initiative, and the Navy "reinvestment" technology program which is outside the TRP program, raises important issues which could inadvertently complicate the execution of technology reinvestment efforts. In addition, this funding could be vulnerable to earmarking which would frustrate DOD reinvestment efforts. Also, unlike the TRP program, none of these initiatives are required by statute to be cost-shared. Finally, the TRP currently envisions the participation of both Federal defense laboratories and the military departments.

The committee believes that management of DOD's technology reinvestment efforts should not be fragmented. Accordingly, the committee recommends that the \$156.6 million in funding requested for the "reinvestment" programs mentioned above be made part of the committee's recommended defense reinvestment program for fiscal year 1995. At the same time, the committee supports the goals of both the Federal defense laboratory diversification effort and the Navy's development, promotion and utilization of dual-use technologies. However, both goals can be most efficiently promoted within the TRP with the Federal defense laboratories and the Navy as active partners.

The committee does not recommend that the Mentor Protege Program be funded as a research and development "defense reinvestment" element.

VENTURE CAPITAL AND TRIP ACTIVITIES

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The overwhelming response to the 1993 Technology Reinvestment Project resulted in the selection of 212 winning proposals that were put forward by partnerships consisting of over 1,200 companies, universities and Federal laboratories. While many small businesses were participants in these winning proposals, few small business proposals were selected. The committee believes that a vast untapped opportunity exists to better "partner" small businesses competing for TRP funds with venture capital markets. The committee recommends a provision (sec. 1114) that would authorize the "conditional award" of a small business TRP proposal. The small business would be given up to 90 days to secure its cost share from venture capital markets or other financial sources.

DEFENSE CONVERSION, REINVESTMENT AND TRANSITION ASSISTANCE ACT AMENDMENTS OF 1994

FUNDING TABLE
[In millions of dollars]

	Fiscal year 1995- Request	HASC
Defense Industry and Technology Programs:		
Defense Reinvestment Programs (R&D)	781.6	771.6
Other Defense Dual-Use Technology Programs (R&D)	1,366.1	1,604.0
Ship recycling/job creation (Procurement)	0	15.0
Subtotal	2,147.7	2,390.0
Community Assistance:		
Office of Economic Adjustment (O&M)	39.1	54.1
Junior ROTC (O&M)	59.8	59.8
National Guard Youth Opportunity Pilot Program (O&M)	70.0	70.0
Subtotal	170.3	185.9

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Personnel Assistance:		
Temporary Early Retirement (Mil Per)	391.2	391.2
Sep Pay and Civilian Health (O&M)	301.7	301.7
Guard and Reserve Transition (O&M)	139.5	139.5
Transition Assistance/Relocation (O&M)	72.4	72.4
Troops to Teachers (O&M)	65.0	65.0
Troops to Public Safety Officers (O&M)	15.0	25.0
Bilingual Math and Science Teachers (O&M)	0	3.0
"Other initiatives" (O&M)	99.0	99.0
Subtotal	1,083.7	1,096.7
TITLE XI AUTHORIZED		3,256.4
TOTAL	3,401.8	3,647.6

DETAILED SUMMARY OF TECHNOLOGY PROGRAMS

[In millions of dollars]

Program element and program	Fiscal year 1995- Request	HASC
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DEFENSE REINVESTMENT
TECHNOLOGY PROGRAMS

603570E-Defense Reinvestment Program	781.6	771.6
Dual-use partnerships		355.6
Com-Mil integration		50.0
Regional Tek Alliances		50.0
Def. Adv. Mfg. partner		30.0
Mfg. Technology Ext		15.0
Dual-Use Extension		65.0
Defense Mfg/Eng. Ed		24.0
Total TRP		589.6

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MARITECH	40.0	50.0
DoD/Law Enforcement Dual-Use		37.0
Agile Mfg./Enterprise Integration		35.0
Advanced Materials		30.0

Subtotal Defense Reinvestment Request	781.6	771.6
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OTHER DUAL-USE TECHNOLOGY
PROGRAMS

62712E-Electronics and Materials Initiatives	224.8	247.9
63739E-Manufacturing Technology Initiatives	346.1	416.1
62301E-Computing and Communications Technology	419.6	399.6

OTHER INITIATIVES

63745E-SEMATECH	90.0	90.0
61101E-Basic Research	87.7	87.7
63744E-Advanced Simulation	20.9	20.9
Various-Small Business Innovative Research Programs refocused dual-use	161.0	(161.0)

Total for all Tech. Programs	2,147.7	2,375.0
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HASC, p. 283-287